

Interim Investment Report and unaudited Financial Statements  
May 2013



## M&G Optimal Income Fund



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

# Introduction

## COMPANY INFORMATION

### Company

M&G Optimal Income Fund

### Registered Office

Laurence Pountney Hill, London EC4R 0HH, UK

### Authorised Corporate Director (ACD)

M&G Securities Limited,  
Laurence Pountney Hill, London EC4R 0HH, UK  
Telephone: 0800 390 390 (UK only)  
(Authorised and regulated by the Financial Conduct Authority)

### Directors of the ACD

W J Nott (Chief Executive),  
J R Talbot (Director and Secretary),  
G N Cotton, C I Jackson, 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)

### Fund manager

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

### 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 and regulated by the Financial Conduct Authority)

### Independent Auditors

PricewaterhouseCoopers LLP,  
7 More London Riverside, London SE1 2RT, UK

### Customer Services and Administration for UK Clients

M&G Securities Limited,  
PO Box 9039, Chelmsford CM99 2XG, UK  
Please remember to quote your name and M&G client reference and sign any written communication to M&G. Failure to provide this will affect your ability to transact with us.  
Telephone: 0800 390 390 (UK only)  
For security purposes and to improve the quality of our service, we may record and monitor telephone calls. You will require your M&G client reference. Failure to provide this will affect your ability to transact with us.

### Important information

The investment objective and policy of the M&G Optimal Income Fund are the same in substance as the predecessor OEIC sub-fund (the merging fund) and therefore when reporting performance of the M&G Optimal Income Fund the history of the merging fund is included.

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 Depository.

# Introduction

## FOR EUROPEAN INVESTORS

Copies of the Prospectus and the Interim / Annual Investment Report and Financial Statements can be obtained from:

### Customer Services and Administration for European 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

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.

### For Germany (German branch):

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

### German Paying and Information Agent:

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

### Austrian Paying and Information Agent:

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

### Luxembourg Paying and Information Agent:

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

### For Italy:

M&G International Investments Limited,  
Laurence Pountney Hill, London EC4R 0HH, UK

### 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

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

### Spanish Representative:

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

### Swiss Paying Agent:

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

### Swiss Representative:

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

### For France:

M&G International Investments Limited,  
Laurence Pountney Hill, London EC4R 0HH, UK

### French Centralising Agent:

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

### Swedish Paying Agent:

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

### Danish Representative Agent:

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

### For the Netherlands, Norway and Finland:

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

## AUTHORISED CORPORATE DIRECTOR'S REPORT

The Authorised Corporate Director (ACD) presents its interim investment report and unaudited financial statements for the six months ended 31 March 2013.

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.

The interim investment report and unaudited financial statements for the M&G Optimal Income Fund for the six months ended 31 March 2013 are set out in detail on pages 3 to 20.

J R Talbot  
Director of M&G Securities Limited

G W MacDowall  
Director of M&G Securities Limited

15 May 2013

# M&G Optimal Income Fund

## INVESTMENT OBJECTIVE, POLICY AND APPROACH

### Investment objective of the M&G Optimal Income Fund

The fund aims to provide a total return to investors based on exposure to optimal income streams in investment markets.

### Investment policy of the M&G Optimal Income Fund

The Fund aims to provide a total return 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 fully 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 and reward profile\*



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

\* 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 2 April 2013, for the six months ended 31 March 2013

We adjust the positioning of the M&G Optimal Income Fund to reflect changes in our outlook regarding interest rates and credit risk (companies' ability to repay their debts).

In the second half of the review period we heavily reduced investments in index-linked bonds – bonds<sup>[a]</sup> issued by the UK government that are designed to protect investors from rising inflation. Index-linked government bonds are different to conventional government bonds because both the semi-annual interest payments and the capital repayment are adjusted in line with movements in the Retail Prices Index. While we have been finding these bonds attractive, they comfortably outperformed conventional bonds during the reporting period, and so we believed it was a good opportunity to switch allocation.

Another adjustment was to the fund's positioning in financials. We have maintained a longstanding underweight position in financials, because of our concerns about the risks to the sector posed by Europe's sovereign debt crisis. However, in the latter stages of the period, we began to find that bonds issued by certain institutions have become more attractive. We chose to participate in new issues from Italian and Spanish banks Intesa Sanpaolo and BBVA.

One of the key drivers of the fund's performance is the ability to reduce or increase the portfolio's sensitivity to changes in bond yields<sup>[b]</sup>, otherwise known as 'duration'. Given the current historically low level of returns on government bonds – and our expectation that these will fall further in the medium term – we reduced our duration position over the six months under review.

### Richard Woolnough

Fund manager

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

<sup>[a]</sup> Bonds are loans that are extended by an investor to an issuing entity – private sector firms in the case of corporate bonds and governments in the case of government bonds – in exchange for regular interest payments. The issuer promises to pay the holder the initial value of the loan at the end of the bond's life.

<sup>[b]</sup> The interest received from a bond as a percentage of its investment cost, current market value or face value.

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

# M&G Optimal Income Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.10.13	30.11.13
Interim	01.04.14	31.05.14

	Interim distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 31.05.13 <sup>[a]</sup>	Acc 02.04.13 <sup>[a]</sup>	31.03.13	30.09.12
<b>Sterling</b>	p	p	%	%
Class 'A'	1.4088	1.7596	1.41	1.41
Class 'I'	1.6784	2.1372	0.91	0.91
Class 'R'	1.2020	1.2056	1.17	1.17 <sup>[c]</sup>
Class 'X'	1.2724	1.5716	1.66	1.66
<b>Euro</b>	¢	¢	%	%
Class 'A-H'	n/a	20.4657	1.46	1.47
Class 'C-H'	n/a	25.2845	0.96	0.97
<b>Swiss franc</b>	¢	¢	%	%
Class 'A-H'	n/a	12.4351	1.46	1.46 <sup>[c]</sup>
Class 'C-H'	n/a	15.0156	0.96	0.96 <sup>[c]</sup>
<b>US dollar</b>	¢	¢	%	%
Class 'A-H'	n/a	14.5837	1.46	1.47
Class 'C-H'	n/a	17.6736	0.96	0.98

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

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

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

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

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.03.13		Net asset value per share as at 30.09.12		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
	p	p	p	p	%	%
<b>Sterling</b>						
Class 'A'	135.75	171.37	130.24	162.72	+4.23	+5.32
Class 'I'	135.73	175.38	130.21	166.21	+4.24	+5.52
Class 'R'	105.50	107.07	101.22	101.57	+4.22	+5.41
Class 'X'	135.67	169.10	130.16	160.73	+4.23	+5.21
<b>Euro</b>	€	€	€	€	%	%
Class 'A-H'	n/a	16.7900	n/a	15.9541	n/a	+5.24
Class 'C-H'	n/a	17.3788	n/a	16.4775	n/a	+5.47
<b>Swiss franc</b>	CHF	CHF	CHF	CHF	%	%
Class 'A-H'	n/a	10.4773	n/a	10.0015	n/a	+4.76
Class 'C-H'	n/a	10.4998	n/a	10.0018	n/a	+4.98
<b>US dollar</b>	\$	\$	\$	\$	%	%
Class 'A-H'	n/a	12.3046	n/a	11.6886	n/a	+5.27
Class 'C-H'	n/a	12.4679	n/a	11.8055	n/a	+5.61

### PERFORMANCE SINCE LAUNCH <sup>[a]</sup>

	six months 01.10.12 %	one year 02.04.12 %	five years 02.04.08 % p.a. <sup>[b]</sup>	since launch % p.a. <sup>[b]</sup>
<b>Sterling <sup>[c]</sup></b>				
Class 'A'	+5.3	+9.8	+11.2	+9.0 <sup>[d]</sup>
Class 'I'	+5.5	+10.2	+11.6	+9.4 <sup>[d]</sup>
Class 'R'	+5.4	n/a	n/a	+7.8 <sup>[e]</sup>
Class 'X'	+5.2	+9.6	+11.0	+8.8 <sup>[d]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A-H'	+45.0	+9.8	+11.5	+9.2 <sup>[g]</sup>
Class 'C-H'	+46.2	+10.3	+12.1	+9.8 <sup>[g]</sup>
<b>Swiss franc <sup>[f]</sup></b>				
Class 'A-H'	+5.2	n/a	n/a	+5.5 <sup>[h]</sup>
Class 'C-H'	+5.4	n/a	n/a	+5.7 <sup>[h]</sup>
<b>US dollar <sup>[f]</sup></b>				
Class 'A-H'	+5.3	+10.1	n/a	+8.9 <sup>[i]</sup>
Class 'C-H'	+5.7	+10.7	n/a	+9.5 <sup>[i]</sup>

<sup>[a]</sup> Includes performance of the merging fund up to 2 December 2008.

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

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

<sup>[d]</sup> 8 December 2006, the launch date of the fund.

<sup>[e]</sup> 3 August 2012, the launch date of the share class. Not annualised.

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

<sup>[g]</sup> 20 April 2007, the launch date of the share class.

<sup>[h]</sup> 28 September 2012, the launch date of the share class. Not annualised.

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

### SINGLE YEAR PERFORMANCE <sup>[a]</sup> (5 YEARS ENDING MARCH)

From	30.03.12	31.03.11	31.03.10	31.03.09	31.03.08
To	29.03.13	30.03.12	31.03.11	31.03.10	31.03.09
	%	%	%	%	%
<b>Sterling</b>					
Class 'A'	+9.8	+9.4	+5.9	+33.1	+0.4

<sup>[a]</sup> Includes performance of the merging fund up to 2 December 2008.

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

# M&G Optimal Income Fund

## FUND STATISTICS

### PRICES <sup>[a]</sup>

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>					
		p	p	p	p
Class 'A'	2008	100.58	85.68	105.00	92.15
	2009	115.44	91.30	130.22	98.21
	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 <sup>[b]</sup>	138.11	134.55	172.56	168.11
Class 'I'	2008	100.68	85.62	105.63	92.68
	2009	115.50	91.37	131.53	98.80
	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 <sup>[b]</sup>	138.36	134.67	176.59	171.88
Class 'R'	2012 <sup>[c]</sup>	104.76	100.00	105.13	100.00
	2013 <sup>[b]</sup>	107.44	104.62	107.81	104.99
Class 'X'	2008	100.52	85.64	104.61	91.75
	2009	115.35	91.26	129.35	97.74
	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 <sup>[b]</sup>	137.90	134.41	170.29	165.97
<b>Euro (gross)</b>					
		€	€	€	€
Class 'A-H'	2008	n/a	n/a	10.1154	8.9127
	2009	n/a	n/a	12.5860	9.3930
	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 <sup>[b]</sup>	n/a	n/a	16.9075	16.4754
Class 'C-H'	2008	n/a	n/a	10.3090	9.0671
	2009	n/a	n/a	12.7984	9.6084
	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 <sup>[b]</sup>	n/a	n/a	17.4994	17.0335
<b>Swiss franc (gross)</b>					
		CHF	CHF	CHF	CHF
Class 'A-H'	2012 <sup>[d]</sup>	n/a	n/a	10.2963	10.0000
	2013 <sup>[b]</sup>	n/a	n/a	10.5500	10.2833
Class 'C-H'	2012 <sup>[d]</sup>	n/a	n/a	10.3059	10.0000
	2013 <sup>[b]</sup>	n/a	n/a	10.5722	10.2937

### PRICES <sup>[a]</sup> (continued)

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>US dollar (gross)</b>					
		\$	\$	\$	\$
Class 'A-H'	2010 <sup>[e]</sup>	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 <sup>[b]</sup>	n/a	n/a	12.9302	12.0840
Class 'C-H'	2010 <sup>[e]</sup>	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 <sup>[b]</sup>	n/a	n/a	12.5536	12.2210

<sup>[a]</sup> Including prices from the merging fund up to 2 December 2008.

<sup>[b]</sup> To 2 April 2013.

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

<sup>[d]</sup> From 28 September 2012 (the launch date of the share class).

<sup>[e]</sup> From 1 October 2010 (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 <sup>[a]</sup>

	Calendar year	Interest income per share			
		Interim	Distributed Final	Total	Reinvested
<b>Sterling (net)</b>					
		p	p	p	p
Class 'A'	2008	1.9552	2.1384	4.0936	4.2627
	2009	2.4684	2.3580	4.8264	5.2792
	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 <sup>[b]</sup>	1.4088	-	1.4088	1.7596
Class 'I'	2008	2.1472	2.3364	4.4836	4.6849
	2009	2.6863	2.5680	5.2543	5.8370
	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 <sup>[b]</sup>	1.6784	-	1.6840	2.1372
Class 'R'	2012	n/a	0.3600	0.3600	0.3620
	2013 <sup>[b]</sup>	1.2020	-	1.2108	1.2056
Class 'X'	2008	1.8524	2.0416	3.8940	4.0455
	2009	2.4089	2.2540	4.6629	5.0280
	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 <sup>[b]</sup>	1.2724	-	1.2724	1.5716

# M&G Optimal Income Fund

## FUND STATISTICS

### INCOME <sup>[a]</sup> (continued)

Interest income per share					
	Calendar year	Interim	Distributed Final	Total	Reinvested
<b>Euro (gross)</b>					
Class 'A-H'	2008	n/a	n/a	n/a	48.6910
	2009	n/a	n/a	n/a	56.9317
	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 <sup>[b]</sup>	n/a	n/a	n/a	20.4657
Class 'C-H'	2008	n/a	n/a	n/a	53.9650
	2009	n/a	n/a	n/a	64.4401
	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 <sup>[b]</sup>	n/a	n/a	n/a	25.2845
<b>Swiss franc (gross)</b>					
Class 'A-H'	2012	n/a	n/a	n/a	0.0000
	2013 <sup>[b]</sup>	n/a	n/a	n/a	12.4351
Class 'C-H'	2012	n/a	n/a	n/a	0.0000
	2013 <sup>[b]</sup>	n/a	n/a	n/a	15.0156
<b>US dollar (gross)</b>					
Class 'A-H'	2011	n/a	n/a	n/a	43.0092
	2012	n/a	n/a	n/a	43.6347
	2013 <sup>[b]</sup>	n/a	n/a	n/a	14.5837
Class 'C-H'	2011	n/a	n/a	n/a	48.0417
	2012	n/a	n/a	n/a	49.6064
	2013 <sup>[b]</sup>	n/a	n/a	n/a	17.6736

<sup>[a]</sup> Including income from the merging fund up to 2 December 2008.

<sup>[b]</sup> Up to interim: ex-distribution date 2 April 2013;  
payment date 31 May 2013.

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.

## NET ASSETS

	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>					
Class 'A'	Sep 2010	120.15	140.53	601,094,000	560,670,000
	Sep 2011	116.99	141.50	856,049,000	839,230,000
	Sep 2012	130.24	162.72	924,530,500	1,186,620,000
	Mar 2013	135.75	171.37	794,008,500	1,247,899,000
Class 'I'	Sep 2010	120.12	142.39	402,559,000	53,147,800
	Sep 2011	116.88	144.10	519,238,000	63,443,800
	Sep 2012	130.21	166.21	791,318,000	76,084,800
	Mar 2013	135.73	175.38	846,023,000	101,463,800
Class 'R'	Sep 2012	101.22	101.57	20,000	30,000
	Mar 2013	105.50	107.07	816,000	1,629,000
Class 'X'	Sep 2010	120.09	139.37	55,217,000	37,904,000
	Sep 2011	116.91	140.23	83,374,000	51,884,000
	Sep 2012	130.16	160.73	84,972,000	73,741,000
	Mar 2013	135.67	169.10	85,490,000	74,218,500
<b>Euro</b>					
		€	€		
Class 'A-H'	Sep 2010	n/a	13.6666	n/a	23,646,600
	Sep 2011	n/a	13.8456	n/a	109,474,400
	Sep 2012	n/a	15.9541	n/a	288,709,500
	Mar 2013	n/a	16.7900	n/a	457,834,400
Class 'C-H'	Sep 2010	n/a	13.9801	n/a	25,257,100
	Sep 2011	n/a	14.2748	n/a	51,489,100
	Sep 2012	n/a	16.4775	n/a	91,145,700
	Mar 2013	n/a	17.3788	n/a	107,116,700
<b>Swiss franc</b>					
		CHF	CHF		
Class 'A-H'	Sep 2012	n/a	10.0015	n/a	3,000
	Mar 2013	n/a	10.4773	n/a	1,285,000
Class 'C-H'	Sep 2012	n/a	10.0018	n/a	3,000
	Mar 2013	n/a	10.4998	n/a	269,200
<b>US dollar</b>					
		\$	\$		
Class 'A-H'	Sep 2011	n/a	10.1218	n/a	925,400
	Sep 2012	n/a	11.6886	n/a	13,620,000
	Mar 2013	n/a	12.3046	n/a	29,736,800
Class 'C-H'	Sep 2011	n/a	10.1824	n/a	2,026,000
	Sep 2012	n/a	11.8055	n/a	9,205,800
	Mar 2013	n/a	12.4679	n/a	21,393,700

Total net asset value of fund	Period ended	£		€ <sup>[a]</sup>	
		Inc	Acc	Inc	Acc
	Sep 2010	2,771,878,000		3,230,978,000	
	Sep 2011	5,025,058,000		5,805,307,000	
	Sep 2012	9,561,999,000		11,979,050,000	
	Mar 2013	13,304,758,000		15,706,680,000	

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



# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>Oil &amp; gas producers</b>			
8,500,000 BP	39,704	0.30	
250,000 Chevron	19,873	0.15	
2,500,000 Eni	37,568	0.28	
4,048,212 Royal Dutch Shell 'A'	86,713	0.65	
2,000,000 Total	63,268	0.48	
<b>Aerospace &amp; defence</b>			
7,000,000 BAE Systems	27,524	0.21	0.20
<b>Industrial engineering</b>			
500,000 Caterpillar	28,726	0.22	0.00
<b>Industrial transportation</b>			
400,000 Norfolk Southern	20,177	0.15	0.00
<b>Pharmaceuticals &amp; biotechnology</b>			
1,200,000 AstraZeneca	39,450	0.30	
1,950,000 Johnson & Johnson	104,786	0.79	
1,800,000 Novartis	84,175	0.63	
520,000 Roche Holdings	79,577	0.60	
350,000 Sanofi-Aventis	23,386	0.17	
<b>General retailers</b>			
<b>Media</b>			
1,000,000 Pearson	12,010	0.09	0.20
200,000 Viacom	8,115	0.06	
2,000,000 Vivendi	27,547	0.21	
<b>Fixed line telecommunications</b>			
5,000,000 France Telecom	33,667	0.25	0.28
<b>Mobile telecommunications</b>			
26,000,000 Vodafone Group	48,438	0.36	0.30
<b>Banks</b>			
4,500,000 Bank of America	36,394	0.27	
450,000 Bank of Montreal	18,616	0.14	
1,500,000 Credit Suisse Group	26,486	0.20	
5,786,639 HSBC Holdings	40,912	0.31	
1,500,000 JPMorgan Chase	47,395	0.36	
300,000 PNC Financial Services Group	13,133	0.10	
1,800,000 UBS	18,372	0.14	
800,000 US Bancorp	17,865	0.13	
3,000,000 Wells Fargo	73,343	0.55	
<b>Non-life insurance</b>			
2,000,000 AXA	22,727	0.17	0.00
500,000 AXA (London)	5,682	0.04	
<b>Software &amp; computer services</b>			
5,500,000 Microsoft	103,220	0.78	0.68
<b>Technology hardware &amp; equipment</b>			
2,200,000 Intel	31,759	0.24	0.00
<b>Non-convertible preference shares</b>			
5,000,000 Standard Chartered 8.25% Non-cum. Irrd. Pref.	6,225	0.05	0.06
<b>'AAA' credit rated bonds</b>			
£7,859,000 Abbey National Treasury Services FRN 2017	8,141	0.05	25.53
£15,425,920 ALBA FRN 2042	15,694	0.12	
£14,786,584 ALBA FRN 2051	14,991	0.11	
\$30,000,000 American Tower Trust I 3.07% 2048	19,985	0.15	
£11,440,000 Arkle Master Issuer 3.986% 2060	12,665	0.10	
£10,000,000 Arkle Master Issuer FRN 2060	10,261	0.08	
£14,085,000 Arran Residential Mortgages Funding FRN 2047	14,461	0.11	

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'AAA' credit rated bonds (continued)</b>			
£242,481 BL Superstores Finance FRN 2030	216	0.00	
£13,353,166 Brass No.2 FRN 2050	13,376	0.10	
£7,000,000 Broadgate Financing FRN 2030	6,426	0.05	
£7,322,000 Cie de Financement Foncier 5.5% 2027	8,722	0.07	
£10,000,000 DECO FRN 2021	10,125	0.08	
£28,000,000 European Investment Bank 3.75% 2027	30,055	0.22	
£5,000,000 European Investment Bank 4.75% 2018	5,955	0.04	
£5,000,000 European Investment Bank 5.375% 2021	6,274	0.05	
£28,000,000 European Investment Bank 5.5% 2025	35,661	0.27	
£20,000,000 European Investment Bank FRN 2017	19,993	0.15	
£3,412,852 First Flexible No.5 FRN 2034	3,170	0.02	
£3,694,798 Florentia FRN 2024 12-1A	3,208	0.02	
£4,500,000 Fosse Master Issuer Var. Rate 2054	5,038	0.04	
£20,000,000 Germany (Federal Republic of) 0.75% IL 2018	19,467	0.15	
£70,000,000 Germany (Federal Republic of) 2.25% IL 2013	66,810	0.50	
£150,000,000 Germany (Federal Republic of) 3% 2020	147,480	1.11	
£16,976,925 Gosforth FRN 2049	16,977	0.13	
£10,000,000 Gracechurch Mortgage Financing FRN 2056	10,385	0.08	
£6,375,253 Isobel Finance No.1 FRN 2038	6,391	0.05	
£5,000,000 Kenrick FRN 2043	5,125	0.04	
£10,547,000 Lanark Master Issuer FRN 2054	10,937	0.08	
£3,000,000 LCR Finance 4.5% 2028	3,579	0.03	
£40,000,000 Lloyds TSB Bank 5.125% 2025	48,464	0.36	
\$5,162,015 Paragon Mortgages No.14 FRN 2039	3,023	0.02	
£15,250,000 Permanent Master Issuer 4.805% 2042	17,183	0.13	
£10,000,000 Permanent Master Issuer FRN 2042	10,372	0.08	
£2,059,041 Residential Mortgage Securities FRN 2041	2,159	0.01	
£5,000,000 Sandown Gold FRN 2039	5,102	0.04	
£10,000,000 Silverstone Master Issuer FRN 2055	10,403	0.08	
£5,000,000 Storm 2012-IV FRN 2054	4,310	0.03	
£6,449,518 Tenterden Funding FRN 2044	6,522	0.05	
£245,000,000 Treasury 1% 2017	248,859	1.87	
£240,000,000 Treasury 1.25% 2018	244,879	1.84	
£185,000,000 Treasury 2% 2016	193,802	1.46	
£750,000,000 Treasury 2.25% 2014	764,138	5.74	
£155,000,000 Treasury 2.5% IL 2013	432,290	3.25	
£100,000,000 Treasury 2.75% 2015	104,570	0.79	
£309,000,000 Treasury 3.25% 2044	313,002	2.35	
£115,000,000 Treasury 3.75% 2052	127,719	0.96	
£82,400,000 Treasury 4.5% 2042	104,661	0.79	
£4,700,000 Treasury 4.75% 2038	6,171	0.05	
£15,500,000 Treasury 5% 2025	20,297	0.15	
<b>'AA' credit rated bonds</b>			
€7,146,030 Aire Valley Mortgages FRN 2066 04-1X3A2	5,690	0.04	6.10
£362,502 Aire Valley Mortgages FRN 2066 05-1X2A1	341	0.00	5.30
\$16,232,032 Aire Valley Mortgages FRN 2066 06-1A1A	10,012	0.08	
€4,201,768 Aire Valley Mortgages FRN 2066 06-1X2A1	3,345	0.03	
£5,882,475 Aire Valley Mortgages FRN 2066 06-1X2A2	5,534	0.04	
€1,000,000 Aire Valley Mortgages FRN 2066 06-1X3B2	706	0.01	
£8,700,000 Allianz Finance II 4.5% 2043	8,749	0.07	
€2,503,212 Brunel Residential Mortgage Securitisation FRN 2039	1,951	0.02	
£3,782,429 Epic Opera FRN 2016	3,707	0.03	

# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'AA' credit rated bonds (continued)</b>			
£2,400,000 Federal National Mortgage Association 5.375% 2021	2,927	0.02	
£3,000,000 Federal National Mortgage Association 5.375% 2028	3,648	0.03	
€1,428,572 Florentia FRN 2024	1,259	0.01	
€14,500,000 GE Capital European Funding 6.025% 2038	16,737	0.13	
€5,000,000 GE Capital Trust II Var. Rate 2067	4,251	0.03	
£19,150,000 GE Capital UK Funding 4.375% 2019	21,275	0.16	
£11,200,000 GE Capital UK Funding 5.125% 2023	12,917	0.10	
£3,000,000 GE Capital UK Funding 5.625% 2019	3,538	0.03	
£9,000,000 GE Capital UK Funding 5.875% 2020	10,917	0.08	
£5,000,000 GE Capital UK Funding 6.75% 2018	6,127	0.05	
£4,000,000 GE Capital UK Funding 8% 2039	5,909	0.04	
£14,000,000 General Electric Capital 4.875% 2037	13,854	0.10	
£5,000,000 General Electric Capital 5.5% 2021	5,897	0.04	
£1,500,000 General Electric Capital 5.625% 2031	1,744	0.01	
£5,405,000 General Electric Capital 6.25% 2017	6,463	0.05	
£4,500,000 General Electric Capital 6.25% 2020	5,559	0.04	
£368,601 General Electric Capital 6.44% 2022	417	0.00	
\$10,000,000 General Electric Capital 6.75% 2032	8,425	0.06	
€10,000,000 General Electric Capital Var. Rate 2067	8,514	0.06	
£2,000,000 General Electric Capital Var. Rate 2067	2,100	0.02	
€2,630,442 Hipocat FRN 2033	1,931	0.01	
€928,285 IM Caja Laboral 1 FRN 2049	645	0.01	
\$5,000,000 IPIC GMTN 5.5% 2022	3,824	0.03	
£1,611,000 Isobel Finance No.1 FRN 2038	1,611	0.01	
£213,448 Lambda Finance FRN 2031	213	0.00	
£770,000 Land Securities Capital Markets Var. Rate 2015	774	0.01	
£950,000 Land Securities Capital Markets Var. Rate 2019	1,087	0.01	
£10,500,000 Land Securities Capital Markets Var. Rate 2022	12,605	0.09	
£5,429,000 Land Securities Capital Markets Var. Rate 2025	6,446	0.05	
£3,500,000 Land Securities Capital Markets Var. Rate 2026	4,203	0.03	
£11,000,000 Land Securities Capital Markets Var. Rate 2027	13,390	0.10	
€8,250,000 MetLife Global Funding 4.625% 2017	7,935	0.06	
£8,157,000 Metropolitan Life Global Funding I 3.5% 2026	8,302	0.06	
\$20,000,000 Nippon Telegraph & Telephone 2.15% 2020	13,435	0.10	
\$3,000,000 Nordea Bank 4.875% 2021	2,293	0.02	
\$5,000,000 Rabobank Nederland 3.375% 2017	3,537	0.03	
£15,000,000 Rabobank Nederland 4% 2022	16,104	0.12	
£27,500,000 Réseau Ferré de France 5.25% 2028	32,200	0.24	
£1,000,000 Réseau Ferré de France 5.25% 2035	1,122	0.01	
£35,000,000 Réseau Ferré de France 5.5% 2021	42,505	0.32	
£38,811,110 RMAC Securities FRN 2044	35,282	0.27	
\$5,000,000 Security Capital Group 7.7% 2028	4,440	0.03	
£30,000,000 Société Nationale des Chemins de Fer Français 5.375% 2027	34,991	0.26	
£3,400,000 Toyota Motor Credit 2.413% IL 2017	4,733	0.04	
£11,719,000 Transport for London 1.25% 2017	11,839	0.09	
£40,000,000 Transport for London 2.25% 2022	39,914	0.30	
£17,000,000 Transport for London 3.875% 2042	17,220	0.13	
\$200,000,000 US Treasury 0.5% 2017	131,560	0.99	
\$80,000,000 US Treasury 1.75% 2022	53,060	0.40	

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'AA' credit rated bonds (continued)</b>			
\$10,000,000 US Treasury 3.125% 2042	6,657	0.05	
€2,727,220 Valencia Hipotecario 3 FRN 2044	1,858	0.01	
£33,475,000 Wal-Mart Stores 4.875% 2039	38,492	0.29	
£10,000,000 Wal-Mart Stores 5.25% 2035	12,096	0.09	
\$18,000,000 Wal-Mart Stores 5.625% 2040	14,779	0.11	
£3,000,000 Wal-Mart Stores 5.75% 2030	3,855	0.03	
\$15,650,000 Wal-Mart Stores 6.5% 2037	13,962	0.10	
£11,500,000 Yorkshire Building Society 4.75% 2018	13,177	0.10	
£16,016,000 Yorkshire Building Society FRN 2016	16,456	0.12	
		<b>15.01</b>	<b>16.24</b>
<b>'A' credit rated bonds</b>			
\$15,360,000 ABN Amro Bank 4.25% 2017	11,087	0.08	
£4,000,000 Aegon 6.625% 2039	4,932	0.04	
€2,000,000 AIB Mortgage Bank 3.125% 2015	1,729	0.01	
€700,000 Aire Valley Mortgages FRN 2066 05-1X2C2	478	0.00	
€4,000,000 Aire Valley Mortgages FRN 2066 06-1X1C2	2,624	0.02	
€10,300,000 Aire Valley Mortgages FRN 2066 06-1X2C2	6,976	0.05	
\$34,301,704 Aire Valley Mortgages FRN 2066 07-1A2A1	21,157	0.16	
€13,074,431 Aire Valley Mortgages FRN 2066 07-1X2A2	10,385	0.08	
£4,015,718 Aire Valley Mortgages FRN 2066 07-1X2A3	3,775	0.03	
€40,100,000 Allianz Var. Rate 2042	37,091	0.28	
€32,000,000 Allianz Finance II Var. Rate 2041	30,342	0.23	
£8,750,000 America Movil 4.375% 2041	8,378	0.06	
£3,500,000 American International Group 5% 2023	3,829	0.03	
£5,000,000 American International Group 6.765% 2017	5,971	0.04	
£15,000,000 Amgen 4% 2029	15,110	0.11	
\$11,000,000 Amgen 5.375% 2043	8,097	0.06	
£18,400,000 Amgen 5.5% 2026	22,059	0.17	
£2,000,000 Anglian Water Services Financing 5.837% 2022	2,460	0.02	
£1,300,000 Anheuser-Busch InBev 9.75% 2024	2,086	0.01	
£2,830,000 Annington Finance No.4 8.07% 2023	3,762	0.03	
£3,000,000 Annington Finance No.4 Var. Rate 2023	3,263	0.02	
€6,050,000 Aquarius and Investments for Zurich Insurance Var. Rate 2043	5,111	0.04	
£1,000,000 ASIF II 6.375% 2020	1,250	0.01	
£4,970,000 ASIF III Jersey 5% 2018	5,730	0.04	
£6,700,000 ASIF III Jersey 5.375% 2016	7,530	0.06	
€6,500,000 AT&T 3.55% 2032	5,590	0.04	
\$11,791,000 AT&T 4.3% 2042	7,286	0.05	
\$3,750,000 AT&T 4.3% 2042 '144A'	2,307	0.02	
\$2,116,000 AT&T 4.35% 2045	1,304	0.01	
£41,500,000 AT&T 4.875% 2044	43,379	0.33	
\$10,000,000 AT&T 5.35% 2040	7,071	0.05	
\$15,500,000 AT&T 5.55% 2041	11,299	0.08	
\$5,000,000 AT&T 6.3% 2038	3,955	0.03	
\$6,895,000 AT&T 6.5% 2037	5,583	0.04	
£6,000,000 AT&T 7% 2040	8,313	0.06	
£2,500,000 Australia & New Zealand Banking Group Var. Rate 2018	2,530	0.02	
£780,000 AWG Step-Up 2014	840	0.01	
£26,500,000 Bank of America 6.125% 2021	31,916	0.24	
\$9,000,000 Bank of America NA 5.3% 2017	6,656	0.05	
\$3,000,000 Bank of America NA FRN 2016	1,931	0.01	
€15,000,000 Bankinter 3.125% 2018	12,695	0.10	
£2,500,000 Barclays Bank 9.5% 2021	3,287	0.02	
\$13,333,000 BAT International Finance 1.125% 2016	8,819	0.07	

# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'A' credit rated bonds (continued)</b>			
£17,500,000 BAT International Finance 6% 2022	21,900	0.16	
£2,500,000 BAT International Finance 7.25% 2024	3,383	0.03	
\$15,650,000 BAT International Finance 9.5% 2018	14,363	0.11	
£29,000,000 BG Energy Capital 5.125% 2025	33,958	0.26	
£3,000,000 British Land Jersey 1.5% 2017 (British Land)	3,051	0.02	
£5,500,000 BUPA Finance 7.5% 2016	6,377	0.05	
£2,200,000 Cairn FRN 2022	1,621	0.01	
£12,000,000 Centrica 7% 2018	15,113	0.11	
\$13,333,000 CEZ 4.25% 2022	9,349	0.07	
£8,000,000 Close Brothers Group 6.5% 2017	8,779	0.07	
£10,000,000 Cloverie for Zurich Insurance Var. Rate 2039	10,415	0.08	
\$5,724,000 Cloverie for Zurich Insurance Var. Rate Perp.	4,346	0.03	
\$3,000,000 Comcast 6.45% 2037	2,514	0.02	
\$3,000,000 Comcast 6.5% 2035	2,527	0.02	
£1,000,000 Coventry Building Society 5.875% 2022	1,204	0.01	
£1,000,000 Coventry Building Society 6% 2019	1,194	0.01	
£10,000,000 Daimler International Finance 3.5% 2019	10,744	0.08	
\$5,000,000 Danske Bank 3.875% 2016	3,511	0.03	
\$18,750,000 DBS Bank Var. Rate 2022	12,966	0.10	
€2,509,658 DECO FRN 2020	2,094	0.02	
€4,049,718 Deco 15-Pan Europe 6 FRN 2018	3,293	0.02	
£770,000 Delamare Finance 5.5457% 2029	894	0.01	
£5,000,000 DnB NOR Bank Var. Rate 2020	5,496	0.04	
€8,879,542 Eddystone Finance FRN 2021	7,240	0.05	
£1,500,000 Eddystone Finance FRN 2021	1,217	0.01	
€11,000,000 EDF 4.5% 2040	10,534	0.08	
£1,000,000 EDF 5.125% 2050	1,013	0.01	
£50,000,000 EDF 5.5% 2037	54,891	0.41	
£25,000,000 EDF 5.5% 2041	27,352	0.21	
£1,000,000 EDF 5.875% 2031	1,162	0.01	
£17,000,000 EDF 6.875% 2022	22,086	0.17	
£10,800,000 ELM for Swiss Reinsurance Var. Rate Perp.	11,124	0.08	
€1,781,638 E-MAC NL 2005-III FRN 2038	1,386	0.01	
€4,672,310 E-MAC Program FRN 2046	3,035	0.02	
€3,400,000 Enexis 1.875% 2020	2,919	0.02	
€1,519,839 Epic FRN 2016	1,262	0.01	
£2,000,000 Eurosail FRN 2045	1,520	0.01	
£8,500,000 Experian Finance 4.75% 2018	9,646	0.07	
€1,071,250 Florentia FRN 2024	962	0.01	
€15,300,000 GDF Suez 5.95% 2111	14,269	0.11	
\$17,000,000 Goldman Sachs Group 5.75% 2022	13,024	0.10	
£15,400,000 Goldman Sachs Group 7.125% 2025	20,272	0.15	
£2,500,000 Goldman Sachs Group 7.25% 2028	3,323	0.02	
£9,119,414 Granite Master Issuer FRN 2054 05-1A6	8,910	0.07	
€6,570,000 Granite Master Issuer FRN 2054 05-1B2	5,204	0.04	
£2,500,000 Granite Master Issuer FRN 2054 05-1B3	2,344	0.02	
€6,200,000 Granite Master Issuer FRN 2054 05-1M2	4,648	0.03	
£4,850,000 Granite Master Issuer FRN 2054 05-1M3	4,268	0.03	
£13,364,658 Granite Master Issuer FRN 2054 05-2A7	13,101	0.10	
£1,500,000 Granite Master Issuer FRN 2054 05-2B3	1,406	0.01	
£1,000,000 Granite Master Issuer FRN 2054 05-2M3	880	0.01	
£6,257,805 Granite Master Issuer FRN 2054 05-4A6	6,114	0.05	
£1,500,000 Granite Master Issuer FRN 2054 05-4B3	1,406	0.01	
€4,950,000 Granite Master Issuer FRN 2054 05-4B4	3,941	0.03	

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'A' credit rated bonds (continued)</b>			
\$1,345,255 Granite Master Issuer FRN 2054 05-4M2	801	0.01	
€1,000,000 Granite Master Issuer FRN 2054 05-4M4	750	0.01	
\$6,600,000 Granite Master Issuer FRN 2054 06-1AM2	3,928	0.03	
£1,572,313 Granite Master Issuer FRN 2054 06-1XA8	1,536	0.01	
€8,000,000 Granite Master Issuer FRN 2054 06-1XB4	6,336	0.05	
£2,500,000 Granite Master Issuer FRN 2054 06-1XM3	2,200	0.02	
€8,500,000 Granite Master Issuer FRN 2054 06-1XM4	6,372	0.05	
€2,500,000 Granite Master Issuer FRN 2054 06-2B3	1,991	0.01	
\$1,750,000 Granite Master Issuer FRN 2054 06-2M2	1,015	0.01	
€2,000,000 Granite Master Issuer FRN 2054 06-2M3	1,499	0.01	
£900,000 Granite Master Issuer FRN 2054 06-2M4	792	0.01	
\$6,000,000 Granite Master Issuer FRN 2054 06-3B2	3,650	0.03	
\$9,000,000 Granite Master Issuer FRN 2054 06-3M2	5,223	0.04	
£3,286,133 Granite Master Issuer FRN 2054 06-4A8	3,211	0.02	
\$1,250,000 Granite Master Issuer FRN 2054 06-4B1	760	0.01	
€2,000,000 Granite Master Issuer FRN 2054 06-4B3	1,584	0.01	
\$4,595,000 Granite Master Issuer FRN 2054 07-11B1	2,796	0.02	
\$5,000,000 Granite Master Issuer FRN 2054 07-12B1	3,042	0.02	
\$5,000,000 Granite Master Issuer FRN 2054 07-12M1	2,976	0.02	
€5,900,000 Granite Master Issuer FRN 2054 07-13B1	4,673	0.04	
€2,287,000 Granite Master Issuer FRN 2054 07-13M1	1,753	0.01	
£3,500,000 Granite Master Issuer FRN 2054 07-13M2	3,159	0.02	
£8,785,454 Granite Master Issuer FRN 2054 07-15AA1	8,583	0.06	
£12,735,732 Granite Master Issuer FRN 2054 07-16A1	12,485	0.09	
\$1,675,000 Granite Master Issuer FRN 2054 07-21B1	1,036	0.01	
£7,232,638 Granite Master Issuer FRN 2054 07-22A2	7,066	0.05	
\$1,860,000 Granite Master Issuer FRN 2054 07-22B1	1,150	0.01	
\$750,000 Granite Master Issuer FRN 2054 07-22M1	446	0.00	
€600,000 Granite Master Issuer FRN 2054 07-23B3	549	0.00	
€6,200,000 Granite Master Issuer FRN 2054 07-23M2	4,648	0.03	
£1,800,000 Granite Master Issuer FRN 2054 07-23M3	1,625	0.01	
\$480,011 Granite Mortgages FRN 2044 03-21C	264	0.00	
£1,027,233 Granite Mortgages FRN 2044 03-23A	1,017	0.01	
\$967,559 Granite Mortgages FRN 2044 03-31C	618	0.00	
€3,000,000 Granite Mortgages FRN 2044 04-012C	2,384	0.02	
£3,838,150 Granite Mortgages FRN 2044 04-13A	3,781	0.03	
£734,955 Granite Mortgages FRN 2044 04-22A2	720	0.01	
£11,450,296 Granite Mortgages FRN 2044 04-23A	11,304	0.08	
£8,904,120 Granite Mortgages FRN 2044 04-33A2	8,766	0.07	
\$13,265,113 Great Hall Mortgages FRN 2039	7,853	0.06	
€3,000,000 Grosvenor Place FRN 2023	2,287	0.02	
\$1,000,000 GTE Southwest 8.5% 2031	895	0.01	
£2,500,000 Hammerson 6% 2026	3,050	0.02	
£5,000,000 Hammerson 6.875% 2020	6,233	0.05	
£2,000,000 Hammerson 7.25% 2028	2,701	0.02	
€12,500,000 Hannover Finance Luxembourg Var. Rate 2024	10,880	0.08	
€5,000,000 Hannover Finance Luxembourg Var. Rate 2040	4,772	0.04	
€2,000,000 Hannover Finance Luxembourg Var. Rate 2043	1,796	0.01	
£3,000,000 Heathrow Funding (formerly BAA Funding) 3.334% IL 2041	4,769	0.04	
£15,000,000 Heathrow Funding (formerly BAA Funding) 5.225% 2025	17,419	0.13	
£2,000,000 Heathrow Funding (formerly BAA Funding) 6.45% 2031	2,510	0.02	
£21,500,000 Heathrow Funding (formerly BAA Funding) 6.75% 2028	28,262	0.21	
£4,222,000 Heathrow Funding (formerly BAA Funding) 7.075% 2028	5,645	0.04	
£11,250,000 Heathrow Funding (formerly BAA Funding) 9.2% 2023	15,981	0.12	

# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'A' credit rated bonds (continued)</b>			
£8,300,000 Heathrow Funding (formerly BAA Funding) 12.45% 2016	10,803	0.08	
£7,560,000 High Speed Rail Finance 1 4.375% 2038	7,881	0.06	
£4,000,000 HSBC Bank 5.375% 2033	4,330	0.03	
£23,000,000 HSBC Bank Var. Rate 2020	23,956	0.18	
£15,000,000 HSBC Bank Var. Rate 2023	16,202	0.12	
£10,626,000 HSBC Bank Var. Rate 2030	11,424	0.09	
£4,000,000 HSBC Holdings 6% 2040	4,446	0.03	
£30,300,000 HSBC Holdings 6.75% 2028	36,777	0.28	
£3,200,000 HSBC Holdings 7% 2038	3,992	0.03	
£1,600,000 HSBC Holdings Var. Rate 2018	1,601	0.01	
£26,000,000 HSBC Holdings Var. Rate 2022	28,981	0.22	
\$4,250,000 HSBC USA 9.125% 2021	3,831	0.03	
\$10,000,000 ING Bank 3.75% 2017	7,068	0.05	
£8,913,000 Intu Finance 3.875% 2028	9,257	0.07	
£8,633,000 Intu Finance 4.625% 2033	9,014	0.07	
\$20,000,000 JPMorgan Chase 4.25% 2020	14,435	0.11	
£13,050,000 JPMorgan Chase 5.375% 2016	14,613	0.11	
\$5,000,000 JPMorgan Chase 6.125% 2017	3,888	0.03	
\$2,300,000 JPMorgan Chase 6.3% 2019	1,853	0.01	
€15,000,000 JPMorgan Chase FRN 2015	12,441	0.09	
\$16,666,000 JPMorgan Chase FRN 2018	11,007	0.08	
£2,000,000 JPMorgan Chase Var. Rate 2017	1,896	0.01	
€1,500,000 JPMorgan Chase Var. Rate 2019	1,288	0.01	
€7,000,000 JPMorgan Chase Bank Var. Rate 2021	6,144	0.05	
£2,147,387 Landmark Mortgage Securities FRN 2039	1,890	0.01	
\$8,000,000 Legrande France 8.5% 2025	7,033	0.05	
€10,000,000 Leo-Mesdag FRN 2019	7,370	0.06	
£11,900,000 London Stock Exchange Group 9.125% 2019	15,868	0.12	
€7,987,650 Lusitano Mortgages No.3 FRN 2047	5,095	0.04	
€5,484,751 Lusitano Mortgages No.5 FRN 2059	3,322	0.02	
€14,429,485 Magellan Mortgages No.4 FRN 2059 4A	9,020	0.07	
€1,596,024 Magellan Mortgages No.4 FRN 2059 4B	906	0.01	
€900,000 Marble Arch Residential Securitisation No.4 FRN 2040	656	0.00	
£750,000 Marstons Issuer Var. Rate 2027	799	0.01	
£2,000,000 Marstons Issuer Var. Rate 2032	1,945	0.01	
£4,500,000 McDonald's 6.375% 2020	5,724	0.04	
£4,224,220 Mitchells & Butlers Finance 5.574% 2030	4,736	0.04	
£2,989,850 Mitchells & Butlers Finance 5.965% 2025	3,272	0.02	
£2,869,000 Mitchells & Butlers Finance 6.013% 2030	3,098	0.02	
£228,028 Mitchells & Butlers Finance FRN 2028	190	0.00	
\$10,489,265 Mitchells & Butlers Finance FRN 2030	5,706	0.04	
€10,000,000 Mitchells & Butlers Finance FRN 2033	6,750	0.05	
£1,329,780 Money Partners Securities FRN 2040	1,302	0.01	
€1,500,000 Morgan Stanley 3.75% 2017	1,355	0.01	
\$5,000,000 Morgan Stanley 3.75% 2023	3,311	0.02	
€2,000,000 Morgan Stanley 5% 2019	1,928	0.01	
£954,000 Morgan Stanley 5.375% 2013	977	0.01	
€13,000,000 Morgan Stanley 5.375% 2020	12,762	0.10	
£1,500,000 Morgan Stanley 5.75% 2017	1,685	0.01	
€2,000,000 Morgan Stanley 6.5% 2018	2,059	0.02	
€18,218,000 Morgan Stanley FRN 2016	15,032	0.11	
€1,500,000 Morgan Stanley FRN 2017	1,230	0.01	
£9,871,779 Mortgages No.7 FRN 2038	9,336	0.07	

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'A' credit rated bonds (continued)</b>			
£17,000,000 Muenchener Rueckversicherung Var. Rate 2028	20,624	0.16	
€8,000,000 Munich Finance Var. Rate 2041	7,877	0.06	
€22,900,000 Munich Finance Var. Rate 2042	22,813	0.17	
€4,850,000 Munich Finance Var. Rate Perp.	4,272	0.03	
£8,500,000 Munich Re Finance Var. Rate 2042	10,072	0.08	
£4,000,000 National Grid Electricity Transmission 3.806% IL 2020	7,405	0.06	
£3,430,000 National Grid Gas 7% 2024	4,601	0.03	
£1,800,000 National Grid Gas 8.75% 2025	2,738	0.02	
£1,000,000 Nationwide Building Society 8.625% 2018	1,212	0.01	
\$7,500,000 NBCUniversal Enterprise FRN 2018	4,944	0.04	
£3,380,797 Newgate Funding FRN 2050	3,251	0.02	
£1,461,000 Paragon Mortgages FRN 2041	1,190	0.01	
€1,000,000 Paragon Mortgages No.15 FRN 2039	612	0.00	
£3,600,000 PepsiCo 2.5% 2022	3,600	0.03	
€1,184,557 Preferred Residential Securities FRN 2040	994	0.01	
€3,200,000 Principal Financial Global Funding II 4.5% 2017	3,025	0.02	
£2,530,000 Province of Quebec Canada 12.25% 2020	4,209	0.03	
€19,000,000 Rabobank 5.25% 2027	19,868	0.15	
€12,000,000 Rabobank Nederland Var. Rate Perp.	12,382	0.09	
£2,500,000 Rio Tinto Finance 4% 2029	2,563	0.02	
€2,145,807 RMAC 2005-Ns1 FRN 2037	1,627	0.01	
£1,916,916 RMAC 2005-Ns1 FRN 2037	1,759	0.01	
€3,164,648 RMAC 2005-Nsp2 FRN 2037	2,530	0.02	
\$608,586 RMAC 2005-Nsp2 FRN 2037	380	0.00	
€2,859,811 RMAC Securities FRN 2044	2,184	0.02	
£1,417,673 RMAC Securities FRN 2044	1,292	0.01	
£15,500,000 RSA Insurance Group Var. Rate 2039	20,003	0.15	
£4,000,000 RSA Insurance Group Var. Rate Perp.	4,240	0.03	
£1,800,000 Segro 5.25% 2015	1,946	0.01	
£9,097,000 Segro 5.5% 2018	10,380	0.08	
£15,800,000 Segro 5.625% 2020	18,420	0.14	
£18,225,000 Segro 6% 2019	21,533	0.16	
£14,600,000 Segro 6.75% 2021	18,169	0.14	
£2,250,000 Segro 6.75% 2024	2,792	0.02	
£2,800,000 Segro 7% 2022	3,534	0.03	
€7,000,000 Snam 5% 2019	6,604	0.05	
€3,000,000 Society of Lloyd's Var. Rate 2024	2,567	0.02	
€6,000,000 Society of Lloyd's Var. Rate 2025	6,379	0.05	
£3,000,000 Southern Water Services Finance 5% 2021	3,391	0.03	
£2,892,000 Southern Water Services Finance 6.125% 2019	3,463	0.03	
\$14,285,000 Standard Chartered 3.95% 2023	9,420	0.07	
\$15,000,000 Standard Chartered 5.7% 2022	11,191	0.08	
\$30,000,000 Standard Chartered Var. Rate 2022	20,504	0.15	
€10,500,000 Standard Chartered Bank 5.875% 2017	10,244	0.08	
\$7,500,000 Standard Chartered Bank 6.4% 2017	5,651	0.04	
£5,450,000 Standard Chartered Bank 7.75% 2018	6,706	0.05	
£4,500,000 Standard Chartered Bank Var. Rate Perp.	4,945	0.04	
£5,845,000 Standard Life Var. Rate Perp.	6,195	0.05	
£2,500,000 Suncorp Insurance Funding Var. Rate 2027	2,505	0.02	
\$2,050,000 Swiss Re Capital I Var. Rate Perp.	1,436	0.01	
A\$8,850,000 Telstra 4% 2017	6,026	0.05	
£2,000,000 Tesco 5.5% 2019	2,367	0.02	
£3,000,000 Tesco 6.125% 2022	3,687	0.03	
£960,279 Tesco Property Finance 2 6.0517% 2039	1,141	0.01	
£1,986,207 Tesco Property Finance 3 5.744% 2040	2,237	0.02	



# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'A' credit rated bonds (continued)</b>			
£9,444,765 Tesco Property Finance 4 5.8006% 2040	10,635	0.08	
£6,968,844 Tesco Property Finance 5 5.6611% 2041	7,677	0.06	
£1,433,000 Thames Water Utilities Cayman 4.375% 2034	1,479	0.01	
£8,533,000 Thames Water Utilities Cayman 4.625% 2046	8,535	0.06	
£15,000,000 Thames Water Utilities Cayman 7.241% 2058	18,178	0.14	
£1,250,000 Thames Water Utilities Finance 3.375% IL 2021	2,288	0.02	
£2,286,000 THFC Funding No.3 5.2% 2043	2,540	0.02	
\$2,325,000 UBS 5.875% 2017	1,823	0.01	
£1,725,000 UBS London 6.375% 2016	2,000	0.02	
£2,000,000 UBS London 6.625% 2018	2,464	0.02	
\$5,000,000 Verizon Communications 4.75% 2041	3,245	0.02	
\$7,000,000 Verizon Communications 6% 2041	5,362	0.04	
\$5,000,000 Verizon Communications 6.25% 2037	3,942	0.03	
\$13,500,000 Verizon Communications 6.4% 2038	10,803	0.08	
\$18,000,000 Verizon Communications 6.9% 2038	15,221	0.11	
\$17,600,000 Verizon Communications 7.35% 2039	15,621	0.12	
\$3,000,000 Verizon Maryland 5.125% 2033	2,039	0.02	
\$5,000,000 Verizon New York 7.375% 2032	4,200	0.03	
€2,250,000 Wachovia 4.375% 2018	2,144	0.02	
£46,000,000 Wells Fargo 5.25% 2023	53,305	0.40	
£4,000,000 Yorkshire Water Services Bradford Finance 6% 2019	4,862	0.04	
£1,000,000 Zurich Finance UK Var. Rate Perp.	1,082	0.01	
		<b>23.52</b>	<b>23.20</b>
<b>'BBB' credit rated bonds</b>			
£21,000,000 3i Group 5.75% 2032	21,007	0.16	
£1,500,000 3i Group 6.875% 2023	1,752	0.01	
\$10,000,000 ABN AMRO Bank Var. Rate 2022	7,087	0.05	
€5,510,000 Achmea Var. Rate 2043	4,697	0.04	
£4,610,000 Aggregate Industries 7.25% 2016	5,303	0.04	
£10,500,000 Ahold Finance 6.5% 2017	12,282	0.09	
£4,000,000 Akzo Nobel 8% 2016	4,724	0.03	
\$2,000,000 Altria Group 9.25% 2019	1,832	0.01	
\$18,500,000 Altria Group 9.95% 2038	20,130	0.15	
\$11,500,000 Altria Group 10.2% 2039	12,738	0.10	
£3,000,000 American International Group Var. Rate 2067	2,867	0.02	
£10,000,000 Anglian Water Services Financing 4.5% 2026	10,402	0.08	
£1,100,000 Anglian Water Services Financing Var. Rate 2024	1,163	0.01	
£4,000,000 APT Pipelines 4.25% 2024	4,233	0.03	
£3,418,000 Aspire Defence Finance 'A' 4.674% 2040	3,497	0.03	
£2,000,000 Aspire Defence Finance 'B' 4.674% 2040	2,054	0.02	
€4,000,000 Assicurazioni Generali Var. Rate 2042 (7.75%)	3,478	0.03	
€19,300,000 Assicurazioni Generali Var. Rate 2042 (10.125%)	18,811	0.14	
£14,200,000 Assicurazioni Generali Var. Rate Perp. (6.269%)	10,543	0.08	
£3,500,000 Assicurazioni Generali Var. Rate Perp. (6.416%)	2,692	0.02	
£800,000 AT&T 6.25% 2022	886	0.01	
£24,500,000 Aviva Var. Rate 2036	24,980	0.19	
€2,900,000 Aviva Var. Rate 2038	2,693	0.02	
£18,074,000 Aviva Var. Rate 2041	19,271	0.14	
£30,000,000 Aviva Var. Rate 2058	30,850	0.23	
£7,000,000 Aviva Var. Rate Perp.	6,772	0.05	

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'BBB' credit rated bonds (continued)</b>			
£7,500,000 AXA 7.125% 2020	8,834	0.07	
€9,077,000 AXA Var. Rate 2043	7,747	0.06	
£18,775,000 AXA Var. Rate Perp. (6.6862%)	18,078	0.14	
£7,600,000 AXA Var. Rate Perp. (6.772%)	7,372	0.06	
£5,000,000 BAE Systems 10.75% 2014	5,724	0.04	
€6,500,000 Bank of America Var. Rate 2017	5,203	0.04	
€5,000,000 Bank of America Var. Rate 2018	3,960	0.03	
€6,000,000 Bank of America Var. Rate 2019	5,033	0.04	
£2,700,000 Bank of Scotland 6.375% 2019	2,960	0.02	
£9,600,000 Bank of Scotland 9.375% 2021	12,147	0.09	
£7,500,000 Bank of Scotland 10.5% 2018	9,211	0.07	
€1,300,000 Bankinter 11 FRN 2048	638	0.00	
£4,500,000 Barclays Bank 5.75% 2026	4,772	0.04	
€5,000,000 Barclays Bank 6% 2021	4,637	0.03	
£10,000,000 Barclays Bank 10% 2021	13,409	0.10	
£9,250,000 Barclays Bank Var. Rate 2023	10,169	0.08	
\$4,750,000 Basell Finance 8.1% 2027	4,178	0.03	
€14,000,000 Bayer Var. Rate 2105	12,448	0.09	
€13,800,000 BBVA Senior Finance 3.75% 2018	11,657	0.09	
£34,000,000 BG Energy Capital Var. Rate 2072	36,684	0.28	
€3,250,000 Bord Gais Eireann 3.625% 2017	2,900	0.02	
£2,400,000 Bouygues 5.5% 2026	2,640	0.02	
€11,430,000 Brenntag Finance 5.5% 2018	10,941	0.08	
\$2,000,000 British Sky Broadcasting Group 6.1% 2018	1,567	0.01	
\$7,000,000 British Sky Broadcasting Group 9.5% 2018	6,330	0.05	
£1,000,000 British Telecommunications 6.375% 2037	1,240	0.01	
£28,500,000 British Telecommunications 8.5% 2016	35,348	0.27	
£10,000,000 British Telecommunications 8.625% 2020	13,660	0.10	
\$17,000,000 British Telecommunications 9.625% 2030	17,494	0.13	
£2,000,000 BSKYB Finance UK 5.75% 2017	2,340	0.02	
\$2,333,000 Burlington Northern Santa Fe 4.95% 2041	1,642	0.01	
€3,400,000 Cap Gemini 5.25% 2016	3,213	0.02	
£2,593,000 Carlsberg Breweries 7.25% 2016	3,103	0.02	
€1,000,000 Casino Guichard Perrachon 4.726% 2021	978	0.01	
\$10,500,000 CBS 4.85% 2042	6,753	0.05	
€1,500,000 CELF Loan Partners FRN 2023	997	0.01	
£19,000,000 Central Networks West 6% 2025	23,438	0.18	
€13,750,000 Channel Link Enterprises Finance FRN 2050	11,211	0.08	
£5,750,000 Channel Link Enterprises Finance FRN 2050	5,348	0.04	
€3,999,977 Cie Generale des Etablissements Michelin 0% 2017 (Cie Generale des Etablissements Michelin)	4,290	0.03	
£1,000,000 Citigroup 4.5% 2031	931	0.01	
£3,500,000 Citigroup 5.125% 2018	3,879	0.03	
£5,500,000 Citigroup 5.875% 2024	6,227	0.05	
€14,000,000 Citigroup Var. Rate 2017	11,418	0.09	
€3,500,000 Citigroup Var. Rate 2030	2,772	0.02	
€2,300,000 Clariant Finance Luxembourg 5.625% 2017	2,193	0.02	
€8,000,000 Commerzbank 6.375% 2019	7,072	0.05	
£3,300,000 Commerzbank 6.625% 2019	3,451	0.03	
€2,900,000 Commerzbank 7.75% 2021	2,582	0.02	
£481,000 Co-Operative Bank 5.875% 2033	390	0.00	
£20,000,000 CPUK Finance 4.81% 2042	21,697	0.16	
£14,400,000 Credit Agricole 7.375% 2023	17,251	0.13	
\$15,000,000 Credit Suisse Group Var. Rate 2041	10,581	0.08	

# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'BBB' credit rated bonds (continued)</b>			
€4,937,000 CRH Finance 3.125% 2023	4,241	0.03	
\$3,000,000 CVS Caremark 6.125% 2039	2,440	0.02	
£3,500,000 Danske Bank Var. Rate 2021	3,537	0.03	
\$10,000,000 Danske Bank Var. Rate 2037	7,043	0.05	
\$6,000,000 Deutsche Telekom International Finance 4.875% 2042	3,909	0.03	
€9,500,000 Deutsche Telekom International Finance 6.5% 2022	12,065	0.09	
€1,500,000 Deutsche Telekom International Finance 7.625% 2030	2,122	0.02	
\$18,000,000 Deutsche Telekom International Finance 8.75% 2030	16,680	0.13	
€11,400,000 Deutsche Telekom International Finance 8.875% 2028	17,677	0.13	
\$6,000,000 DirectTV Financing 6.35% 2040	4,373	0.03	
\$5,000,000 DirectTV Financing 6.375% 2041	3,681	0.03	
\$5,000,000 Ecopetrol 7.625% 2019	4,135	0.03	
£33,100,000 EDF Var. Rate Perp.	33,559	0.25	
€20,375,000 EnBW Var. Rate 2072	19,244	0.14	
€4,500,000 Enel 5.75% 2037	4,052	0.03	
€12,500,000 Enel 6.25% 2019	13,824	0.10	
€8,000,000 Enel Finance International 5.625% 2024	8,095	0.06	
€31,000,000 Enel Finance International 5.75% 2040	27,510	0.21	
\$13,500,000 Enel Finance International 6% 2039	8,513	0.06	
\$16,000,000 Enel Finance International 6.25% 2017	11,739	0.09	
\$1,400,000 Enel Finance International 6.8% 2037	955	0.01	
\$10,000,000 Erste Group Bank Var. Rate 2023	6,893	0.05	
€3,020,000 ESB Finance 4.375% 2019	2,775	0.02	
€3,850,000 ESB Finance 6.25% 2017	3,783	0.03	
€10,000,000 Eutelsat 5% 2019	9,894	0.07	
€14,500,000 Eversholt Funding 5.831% 2020	17,310	0.13	
€4,500,000 Eversholt Funding 6.697% 2035	5,740	0.04	
£8,000,000 FCE Bank 5.125% 2015	8,615	0.06	
€9,500,000 Fidelity International 6.75% 2020	10,824	0.08	
€5,715,000 Fidelity International 7.125% 2024	6,500	0.05	
€6,363,000 Firstgroup 5.25% 2022	6,681	0.05	
€22,000,000 Firstgroup 6.125% 2019	24,244	0.18	
€15,300,000 Firstgroup 8.125% 2018	18,387	0.14	
€300,000 Florentia FRN 2024 12-1D	271	0.00	
€300,000 Florentia FRN 2024 12-1E	272	0.00	
€38,286 FRANs 2003 FRN 2016	32	0.00	
€5,000,000 Friends Life Group 8.25% 2022	5,538	0.04	
€14,000,000 G4S 7.75% 2019	17,634	0.13	
€2,500,000 Gas Natural Capital Markets 4.5% 2020	2,256	0.02	
€4,800,000 Gas Natural Capital Markets 5% 2018	4,480	0.03	
€4,000,000 Gas Natural Capital Markets 5.375% 2019	3,794	0.03	
€14,000,000 Gatwick Funding 5.25% 2026	15,767	0.12	
€6,000,000 Gatwick Funding 5.75% 2039	6,842	0.05	
€15,000,000 Gatwick Funding 6.125% 2028	18,385	0.14	
€8,000,000 Gecina 4.75% 2019	7,618	0.06	
€17,200,000 GELF 3.125% 2018	14,617	0.11	
€5,750,000 Go-Ahead Group 5.375% 2017	6,408	0.05	
€1,131,000 Goldman Sachs Group 4.75% 2021	1,031	0.01	
€23,500,000 Goldman Sachs Group 5.5% 2021	25,745	0.19	
€7,000,000 Goldman Sachs Group 6.125% 2017	7,803	0.06	
€7,000,000 Goldman Sachs Group 6.875% 2038	8,092	0.06	
€4,423,000 Granite Master Issuer FRN 2054 05-1C2	3,147	0.02	
€5,337,000 Granite Master Issuer FRN 2054 05-1C3	4,470	0.03	
€8,704,000 Granite Master Issuer FRN 2054 05-2C2	6,193	0.05	

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'BBB' credit rated bonds (continued)</b>			
\$2,152,409 Granite Master Issuer FRN 2054 05-4C2	1,181	0.01	
£918,000 Granite Master Issuer FRN 2054 05-4C3	769	0.01	
€6,800,000 Granite Master Issuer FRN 2054 05-4C4	4,839	0.04	
\$3,000,000 Granite Master Issuer FRN 2054 06-1AC2	1,647	0.01	
\$10,600,000 Granite Master Issuer FRN 2054 06-1XC2	6,035	0.05	
£3,950,000 Granite Master Issuer FRN 2054 06-1XC3	3,308	0.02	
€2,000,000 Granite Master Issuer FRN 2054 06-1XC4	1,423	0.01	
\$2,350,000 Granite Master Issuer FRN 2054 06-2C1	1,290	0.01	
€1,500,000 Granite Master Issuer FRN 2054 06-2C2	1,067	0.01	
£364,000 Granite Master Issuer FRN 2054 06-2C3	305	0.00	
\$5,000,000 Granite Master Issuer FRN 2054 06-3C2	2,744	0.02	
€2,000,000 Granite Master Issuer FRN 2054 06-3C3	1,423	0.01	
\$1,885,000 Granite Master Issuer FRN 2054 06-4C1	1,035	0.01	
\$7,500,000 Granite Master Issuer FRN 2054 07-11C1	4,117	0.03	
\$2,500,000 Granite Master Issuer FRN 2054 07-12C1	1,372	0.01	
€1,907,000 Granite Master Issuer FRN 2054 07-12C2	1,357	0.01	
€26,350,000 Granite Master Issuer FRN 2054 07-13C1	18,749	0.14	
£3,000,000 Granite Master Issuer FRN 2054 07-13C2	2,513	0.02	
\$2,500,000 Granite Master Issuer FRN 2054 07-22C1	1,372	0.01	
€6,600,000 Granite Master Issuer FRN 2054 07-23C2	4,696	0.04	
€5,400,000 Granite Master Issuer FRN 2054 07-23C3	4,523	0.03	
€1,000,000 Gresham Capital Mortgages FRN 2027	652	0.00	
£20,819,000 Heathrow Funding (formerly BAA Funding) 6% 2020	23,910	0.18	
£23,000,000 Heathrow Funding (formerly BAA Funding) 7.125% 2024	28,158	0.21	
€25,000,000 Henkel Var. Rate 2104	22,612	0.17	
€5,000,000 HJ Heinz Finance UK 6.25% 2030	5,347	0.04	
€2,575,000 Holcim GB Finance 8.75% 2017	3,217	0.02	
€5,697,000 HSBC Capital Funding Var. Rate Perp.	6,185	0.05	
\$9,000,000 Hutchison Whampoa International Var. Rate Perp.	6,338	0.05	
€2,500,000 Hyde Park CDO FRN 2022	1,779	0.01	
€19,500,000 Iberdrola Finanzas 6% 2022	21,701	0.16	
€9,500,000 Iberdrola Finanzas 7.375% 2024	11,383	0.09	
€4,000,000 ICAP Group Holdings 7.5% 2014	3,576	0.03	
€3,535,000 Imperial Tobacco Finance 5.5% 2026	4,147	0.03	
€3,000,000 Imperial Tobacco Finance 6.25% 2018	3,630	0.03	
€19,550,000 Imperial Tobacco Finance 7.75% 2019	25,314	0.19	
€30,000,000 Imperial Tobacco Finance 8.125% 2024	41,341	0.31	
€42,000,000 Imperial Tobacco Finance 9% 2022	60,118	0.45	
€12,500,000 ING Bank Var. Rate 2023	11,365	0.09	
€16,000,000 ING Bank Var. Rate 2023	18,151	0.14	
€9,000,000 InterContinental Hotels Group 3.875% 2022	9,484	0.07	
€9,000,000 Intercontinental Hotels Group 6% 2016	10,304	0.08	
\$15,910,000 Intesa Sanpaolo 3.875% 2018	10,101	0.08	
€2,458,000 Intesa Sanpaolo 4% 2017	2,071	0.02	
€2,750,000 Intesa Sanpaolo 5.25% 2022	2,734	0.02	
\$4,434,000 Intesa Sanpaolo 6.5% 2021	3,026	0.02	
€3,000,000 Italy (Republic of) 5.25% 2034	2,663	0.02	
€11,000,000 Italy (Republic of) 6% 2028	11,331	0.09	
\$1,500,000 JPMorgan Chase Var. Rate Perp.	1,142	0.01	
\$2,000,000 Kerr-McGee 6.95% 2024	1,645	0.01	
\$3,500,000 Kinder Morgan Energy Partners 5.8% 2035	2,610	0.02	
\$3,000,000 Kinder Morgan Energy Partners 6.95% 2038	2,484	0.02	
€1,841,000 Koninklijke KPN 3.25% 2021	1,608	0.01	
€11,500,000 Koninklijke KPN 5% 2026	12,410	0.09	
€15,150,000 Koninklijke KPN 6% 2019	17,871	0.13	
\$4,450,000 Koninklijke KPN 8.375% 2030	3,806	0.03	
\$8,333,000 Kraft Foods Group 3.5% 2022	5,747	0.04	
€26,000,000 Legal & General Group Var. Rate 2041	36,161	0.27	

# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'BBB' credit rated bonds (continued)</b>			
£5,670,000 Legal & General Group Var. Rate Perp.	5,833	0.04	
£12,744,000 Lend Lease Europe Finance 6.125% 2021	13,680	0.10	
£8,000,000 Linde Finance Var. Rate 2066	9,256	0.07	
£6,546,000 Linde Finance Var. Rate Perp.	5,600	0.04	
£3,000,000 Lloyds TSB Bank 6.5% 2020	2,810	0.02	
£20,000,000 Lloyds TSB Bank 7.625% 2025	23,647	0.18	
£20,000,000 Lloyds TSB Bank 9.625% 2023	26,588	0.20	
£22,000,000 Lloyds TSB Bank Var. Rate 2020	22,709	0.17	
£4,034,000 Lloyds TSB Bank Var. Rate 2021	4,805	0.04	
£8,500,000 Lloyds TSB Bank Var. Rate 2025	8,634	0.06	
£6,500,000 London Power Networks 5.375% 2016	7,312	0.05	
£3,000,000 Lorillard Tobacco 6.875% 2020	2,391	0.02	
£1,500,000 Ludgate Funding FRN 2061	639	0.00	
£5,555,000 LyondellBasell Industries 6% 2021	4,335	0.03	
£6,175,000 Marks & Spencer 4.75% 2025	6,321	0.05	
£8,500,000 Marks & Spencer 6.125% 2019	9,593	0.07	
£25,000,000 Marks & Spencer 6.125% 2021	27,893	0.21	
£17,000,000 Marks & Spencer 7.125% 2037	11,782	0.09	
£5,000,000 Merrill Lynch 4.625% 2018	4,496	0.03	
£7,000,000 Merrill Lynch 5.5% 2021	7,800	0.06	
£14,000,000 Mexico (United Mexican States) 6.75% 2024	17,442	0.13	
£25,825,000 Mondeléz International (formerly Kraft Foods) 7.25% 2018	32,384	0.24	
£26,670,000 Mondi Finance 3.375% 2020	23,356	0.18	
£32,500,000 Mondi Finance 5.75% 2017	31,328	0.24	
£5,000,000 Morocco (Kingdom of) 4.5% 2020	4,489	0.03	
£2,000,000 National Capital Instruments FRN Perp.	1,466	0.01	
£20,000,000 National Express Group 6.25% 2017	22,465	0.17	
£12,000,000 National Express Group 6.625% 2020	14,234	0.11	
£3,000,000 National Westminster Bank 6.5% 2021	3,267	0.02	
£30,000,000 Nationwide Building Society 6.75% 2020	29,208	0.22	
£6,667,000 Nationwide Building Society Var. Rate 2023	5,600	0.04	
£5,000,000 Nationwide Building Society Var. Rate Perp.	5,226	0.04	
£9,000,000 Next 5.375% 2021	10,351	0.08	
£20,800,000 Next 5.875% 2016	23,523	0.18	
£20,000,000 NGG Finance Var. Rate 2073	19,850	0.15	
£1,900,000 NIE Finance 6.375% 2026	2,360	0.02	
£20,907,000 Nordenia Holdings 9.75% 2017	20,101	0.15	
£1,000,000 Northumbrian Water Finance 6.875% 2023	1,320	0.01	
£17,000,000 Pearson Funding Four 3.75% 2022	11,735	0.09	
£9,500,000 Pernod-Ricard 4.875% 2016	8,879	0.07	
£21,600,000 Pernod-Ricard 5% 2017	20,806	0.16	
£6,600,000 Pernod-Ricard 7% 2015	6,188	0.05	
£16,089,000 Petrobras Global Finance 5.375% 2029	16,725	0.13	
£7,000,000 Petrobras International Finance 6.25% 2026	7,946	0.06	
£9,400,000 Petroleos Mexicanos 8.25% 2022	12,291	0.09	
£7,000,000 PostNL 7.5% 2018	8,385	0.06	
£8,400,000 Qwest 6.75% 2021	6,376	0.05	
£10,000,000 Qwest 6.875% 2033	6,500	0.05	
£4,750,000 Reed Elsevier Capital 8.625% 2019	4,085	0.03	
£9,750,000 Reed Elsevier Investments 5.625% 2016	11,039	0.08	
£20,700,000 Reed Elsevier Investments 7% 2017	25,337	0.19	
£6,000,000 Rentokil Initial 5.75% 2016	6,538	0.05	
£14,756,780 ResLoC UK FRN 2043	13,045	0.10	

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'BBB' credit rated bonds (continued)</b>			
\$5,000,000 Rhodia 6.875% 2020	3,745	0.03	
€3,500,000 Rhodia 7% 2018	3,267	0.02	
€2,000,000 RMAC Securities FRN 2044	1,288	0.01	
CHF9,000,000 Royal Bank of Scotland 2.375% 2015	6,143	0.05	
€1,950,000 Royal Bank of Scotland 4.35% 2017	1,652	0.01	
€3,750,000 Royal Bank of Scotland 6.934% 2018	3,440	0.03	
\$6,000,000 Royal Bank of Scotland Var. Rate 2022	4,573	0.03	
£5,000,000 RWE Finance 5.5% 2022	6,035	0.05	
£7,300,000 RWE Finance 5.625% 2023	8,881	0.07	
£15,000,000 RWE Var. Rate Perp.	16,067	0.12	
£8,000,000 Santander International 3.16% 2015	7,932	0.06	
£6,200,000 Santander Issuances Var. Rate 2019	6,334	0.05	
£1,000,000 Santander UK 11.5% 2017	1,178	0.01	
£7,000,000 Santander UK Var. Rate 2023	8,057	0.06	
£4,611,000 Santander UK Var. Rate Perp. (7.037%)	4,489	0.03	
£1,400,000 Santander UK Var. Rate Perp. (7.125%)	1,274	0.01	
£10,435,000 Severn Trent Utilities Finance 3.625% 2026	10,693	0.08	
£1,950,000 Severn Trent Utilities Finance 6% 2018	2,312	0.02	
£21,000,000 Siemens Financier Var. Rate 2066	23,047	0.17	
\$3,136,000 Smiths Group 6.05% 2014	2,155	0.02	
£6,600,000 Smiths Group 7.25% 2016	7,570	0.06	
£900,000 Société Générale 5.4% 2018	961	0.01	
€1,000,000 Société Générale Var. Rate Perp.	822	0.01	
£3,750,000 Société Générale Var. Rate Perp.	3,842	0.03	
\$28,490,000 Société Générale Var. Rate Perp.	18,887	0.14	
£5,433,000 South Eastern Power Networks 6.375% 2031	6,891	0.05	
£7,000,000 Southern Gas Networks 4.875% 2023	8,061	0.06	
£4,765,000 Southern Gas Networks 5.125% 2018	5,490	0.04	
£6,600,000 Southern Water Services Finance Var. Rate 2038	6,774	0.05	
£12,967,000 Spain (Kingdom of) 5.25% 2029	11,778	0.09	
€11,000,000 SSE Var. Rate Perp.	9,878	0.07	
£10,000,000 SSE Var. Rate Perp.	10,332	0.08	
\$10,800,000 SSE Var. Rate Perp.	7,280	0.05	
£25,000,000 Stagecoach Group 5.75% 2016	28,019	0.21	
£10,000,000 Standard Life Var. Rate 2042	10,551	0.08	
€2,000,000 Storebrand Livsforsikring Var. Rate 2043	1,734	0.01	
£5,365,000 Swiss Bank 8.75% 2025	7,332	0.06	
£8,000,000 Talisman Energy 6.625% 2017	9,528	0.07	
£8,000,000 TDC 5.625% 2023	9,447	0.07	
€4,900,000 Telecom Italia 5.25% 2055	3,301	0.02	
£10,000,000 Telecom Italia 5.875% 2023	9,915	0.07	
£31,400,000 Telecom Italia 6.375% 2019	33,176	0.25	
£3,400,000 Telecom Italia 7.375% 2017	3,788	0.03	
\$2,500,000 Telecom Italia Capital 6.175% 2014	1,732	0.01	
\$4,500,000 Telecom Italia Capital 6.375% 2033	2,874	0.02	
€500,000 Telecom Italia Finance 7.75% 2033	481	0.00	
\$5,000,000 Telefónica Emisiones 3.992% 2016	3,434	0.03	
£16,000,000 Telefónica Emisiones 5.289% 2022	16,415	0.12	
£21,000,000 Telefónica Emisiones 5.375% 2018	22,496	0.17	
£5,000,000 Telefónica Emisiones 5.375% 2026	5,022	0.04	
£15,500,000 Telefónica Emisiones 5.445% 2029	15,098	0.11	
£36,000,000 Telefónica Emisiones 5.597% 2020	38,525	0.29	
\$9,000,000 Telefónica Emisiones 7.045% 2036	6,368	0.05	
£14,000,000 Textron 6.625% 2020	16,022	0.12	
£27,500,000 Thames Water Utilities Cayman Var. Rate 2025	30,568	0.23	
£7,425,000 Thames Water Utilities Cayman Var. Rate 2030	8,595	0.06	
\$2,000,000 Time Warner 6.2% 2040	1,544	0.01	
\$12,000,000 Time Warner 6.5% 2036	9,458	0.07	

# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'BBB' credit rated bonds (continued)</b>			
\$5,000,000 Time Warner 7.7% 2032	4,469	0.03	
£21,000,000 Time Warner Cable 5.25% 2042	22,058	0.17	
\$17,400,000 Time Warner Cable 6.55% 2037	13,236	0.10	
\$1,400,000 Time Warner Cable 7.3% 2038	1,145	0.01	
€3,250,000 UBS Capital Securities Var. Rate Perp.	2,749	0.02	
£13,500,000 UBS Jersey Var. Rate 2021	14,349	0.11	
£8,000,000 UBS Jersey Var. Rate 2024	9,206	0.07	
€5,000,000 UniCredit 6.95% 2022	4,203	0.03	
\$4,000,000 United Business Media 5.75% 2020	2,692	0.02	
£7,500,000 United Business Media 6.5% 2016	8,559	0.06	
€3,000,000 Veolia Enironment Var. Rate Perp.	2,446	0.02	
£13,100,000 Veolia Enironment Var. Rate Perp.	12,814	0.10	
\$22,000,000 Viacom 4.875% 2043	14,556	0.11	
£23,200,000 Virgin Media Secured Finance 5.5% 2021	23,550	0.18	
£60,000,000 Virgin Media Secured Finance 7% 2018	63,598	0.48	
\$20,000,000 Vivendi 4.75% 2022	13,611	0.10	
£7,500,000 Wales & West Utilities Finance Var. Rate 2036	8,985	0.07	
£10,000,000 Western Power Distribution East Midlands 5.25% 2023	11,775	0.09	
£21,945,000 WPP 6% 2017	25,299	0.19	
\$8,500,000 WPP Finance 4.75% 2021	6,075	0.05	
£14,000,000 WPP Finance 6.375% 2020	17,294	0.13	
£12,000,000 Yorkshire Water Services Bradford Finance Var. Rate 2025	13,538	0.10	
€8,005,000 Ziggo 3.625% 2020	6,791	0.05	
€10,000,000 Ziggo Finance 6.125% 2017	8,810	0.07	
		<b>10.68</b>	<b>11.28</b>
<b>'BB' credit rated bonds</b>			
\$3,000,000 AES 7.375% 2021	2,301	0.02	
€2,700,000 Alice Financing 8% 2019	2,464	0.02	
£13,400,000 Anglian Water Osprey Financing 7% 2018	14,361	0.11	
£12,000,000 Arrow Global Finance 7.875% 2020	11,970	0.09	
€9,414,504 AyT Hipotecario Mixto V FRN 2044	5,925	0.05	
\$12,000,000 Ball 6.75% 2020	8,705	0.07	
\$5,000,000 Bank of America Var. Rate Perp.	3,738	0.03	
£3,000,000 Bank of Scotland Var. Rate Perp.	2,945	0.02	
€6,250,000 Barry Callebaut Services 5.375% 2021	5,869	0.04	
\$2,700,000 BBVA International Preferred Var. Rate Perp.	1,548	0.01	
€21,385,000 Bombardier 6.125% 2021	19,510	0.15	
\$15,000,000 Bombardier 7.75% 2020	11,407	0.09	
€13,000,000 Bormioli Rocco Holdings 10% 2018	11,240	0.09	
£10,500,000 British Airways 8.75% 2016	11,771	0.09	
€3,545,000 Buzzi Unicem 6.25% 2018	3,216	0.02	
£10,000,000 Cabot Financial Luxembourg 10.375% 2019	11,088	0.08	
€4,000,000 Calcipar FRN 2014	3,354	0.03	
\$5,000,000 Calpine 7.5% 2021	3,629	0.03	
\$2,500,000 Case New Holland 7.875% 2017	1,942	0.02	
\$22,000,000 CenturyLink 7.6% 2039	14,055	0.11	
£1,000,000 Cheltenham & Gloucester 11.75% Perp.	1,260	0.01	
\$5,000,000 Citigroup Var. Rate Perp.	3,429	0.03	
€3,574,000 Conti-Gummi Finance 7.125% 2018	3,211	0.02	
€17,000,000 Conti-Gummi Finance 7.5% 2017	15,291	0.11	
£8,690,000 CPUK Finance 11.625% 2042	9,742	0.07	
€15,000,000 Crown European Holdings 7.125% 2018	13,781	0.10	

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'BB' credit rated bonds (continued)</b>			
£21,000,000 Daily Mail & General Trust 5.75% 2018	22,900	0.17	
£19,000,000 Daily Mail & General Trust 6.375% 2027	19,878	0.15	
£13,500,000 Daily Mail & General Trust 10% 2021	17,714	0.13	
\$7,100,000 Dufry Finance 5.5% 2020	4,895	0.04	
£14,604,000 EDP Finance 6.625% 2017	15,718	0.12	
\$5,000,000 Eksportfinans 2% 2015	3,171	0.02	
£11,254,000 Enterprise Inns 6.375% 2031	9,566	0.07	
£11,884,000 Enterprise Inns 6.5% 2018	11,741	0.09	
£6,680,000 Enterprise Inns 6.875% 2021	6,386	0.05	
£4,500,000 Enterprise Inns 6.875% 2025	4,219	0.03	
€3,000,000 Eurocredit Opportunities Parallel Funding FRN 2019	2,581	0.02	
£2,500,000 F&C Finance 9% 2016	2,708	0.02	
€7,000,000 Fiat Finance & Trade 7.375% 2018	6,202	0.05	
€12,555,000 Fiat Finance & Trade 7.75% 2016	11,269	0.08	
€3,000,000 Fiat Industrial Finance Europe 5.25% 2015	2,673	0.02	
€9,500,000 Fiat Industrial Finance Europe 6.25% 2018	8,907	0.07	
£2,000,000 Finmeccanica Finance 8% 2019	2,158	0.02	
€12,000,000 FMC Finance 5.25% 2021	11,207	0.08	
€11,430,000 FMC Finance 6.5% 2018	11,243	0.08	
\$30,000,000 Ford Motor Credit 2.375% 2018	19,730	0.15	
\$20,000,000 Fresenius Medical Care US Finance 5.625% 2019	14,515	0.11	
\$22,000,000 Fresenius Medical Care US Finance 5.75% 2021	16,076	0.12	
\$4,000,000 Fresenius Medical Care US Finance 6.5% 2018	2,929	0.02	
\$13,630,000 Fresenius Medical Care US Finance 6.875% 2017	10,275	0.08	
\$25,500,000 Fresenius US Finance 9% 2015	19,308	0.15	
\$7,000,000 Frontier Communications 8.125% 2018	5,219	0.04	
\$10,000,000 Frontier Communications 8.25% 2017	7,519	0.06	
\$2,000,000 Frontier Communications 8.5% 2020	1,489	0.01	
\$5,000,000 Frontier Communications 8.75% 2022	3,691	0.03	
£25,000,000 GKN 6.75% 2019	28,916	0.22	
£31,000,000 GKN Holdings 5.375% 2022	32,737	0.25	
€3,100,000 Greif Luxembourg Finance 7.375% 2021	2,942	0.02	
€2,000,000 Grosvenor Place FRN 2023	1,315	0.01	
\$27,000,000 HCA - The Healthcare Co. 7.25% 2020	19,693	0.15	
£5,400,000 Heathrow Finance 5.375% 2019	5,425	0.04	
£25,000,000 Heathrow Funding (formerly BAA Funding) 7.125% 2017	26,983	0.20	
€5,000,000 HeidelbergCement 7.5% 2020	5,135	0.04	
€6,050,000 HeidelbergCement 9.5% 2018	6,622	0.05	
€9,600,000 Iberdrola International Var. Rate Perp.	8,025	0.06	
\$2,000,000 Inmarsat Finance 7.375% 2017	1,401	0.01	
\$5,000,000 Israel Electric 7.25% 2019	3,778	0.03	
€2,000,000 Jubilee FRN 2019	1,498	0.01	
€50,000,000 Kabel Deutschland Vertrieb & Service 6.5% 2018	45,138	0.34	
£3,000,000 Kelda Finance No.3 5.75% 2020	3,016	0.02	
£10,667,000 Koninklijke KPN Var. Rate 2073	10,627	0.08	
£18,000,000 Ladbrokes Group Finance 7.625% 2017	20,175	0.15	
£5,000,000 Lafarge 6.625% 2017	5,558	0.04	
£29,000,000 Lafarge 10% 2017	35,390	0.27	
£18,558,000 LBG Capital No.1 7.5884% 2020	19,010	0.14	
£5,000,000 LBG Capital No.1 7.8673% 2019	5,150	0.04	
£5,362,000 LBG Capital No.1 7.975% 2024	5,529	0.04	
€4,330,000 LBG Capital No.1 FRN 2020	3,056	0.02	
€5,500,000 LBG Capital No.2 6.385% 2020	4,688	0.04	
£3,460,000 LBG Capital No.2 7.625% 2019	3,529	0.03	



# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'BB' credit rated bonds (continued)</b>			
£4,160,000 LBG Capital No.2 8.5% 2032	4,316	0.03	
£3,000,000 LBG Capital No.2 9% 2029	3,230	0.02	
£1,332,000 LBG Capital No.2 9.125% 2020	1,458	0.01	
£2,500,000 LBG Capital No.2 9.334% 2020	2,743	0.02	
£3,000,000 LBG Capital No.2 9.875% 2023	3,242	0.02	
£5,000,000 LBG Capital No.2 10.5% 2023	5,541	0.04	
£1,500,000 LBG Capital No.2 11.25% 2023	1,714	0.01	
£840,000 LBG Capital No.2 12.75% 2020	996	0.01	
£9,000,000 LBG Capital No.2 15% 2019	12,915	0.10	
£1,685,000 LBG Capital No.2 15% 2029	2,555	0.02	
\$5,000,000 Lennar 12.25% 2017	4,385	0.03	
£11,840,000 Lowell Group Financing 10.75% 2019	13,090	0.10	
€1,500,000 Ludgate Funding FRN 2061	553	0.00	
CHF32,975,000 Matterhorn Mobile 6.75% 2019	24,420	0.18	
\$950,000 Meccanica Holdings 6.25% 2019	648	0.00	
€1,500,000 Newgate Funding FRN 2050	712	0.01	
€10,500,000 Nexans 5.75% 2017	9,484	0.07	
€11,000,000 Obrascón Huarte Lain 7.375% 2015	10,129	0.08	
€7,000,000 Obrascón Huarte Lain 7.625% 2020	6,235	0.05	
€10,000,000 OI European Group 4.875% 2021	8,536	0.06	
€21,500,000 OI European Group 6.75% 2020	20,439	0.15	
£32,200,000 Old Mutual 8% 2021	35,212	0.26	
€3,065,000 Phoenix PIB Finance 9.625% 2014	2,827	0.02	
€1,351,000 Piaggio & C 7% 2016	1,214	0.01	
€1,650,000 Portugal (Govt. of) 9% 2016	1,819	0.01	
€5,000,000 Portugal Telecom International Finance 4.125% 2014 (Portugal Telecom)	4,288	0.03	
€16,000,000 Priory Group No.3 7% 2018	16,479	0.12	
€4,000,000 Rexam Var. Rate 2067	3,545	0.03	
€1,000,000 RMF FRN 2023	656	0.00	
€5,000,000 Royal Bank of Scotland 5.5% Perp.	3,049	0.02	
\$18,000,000 Royal Bank of Scotland 6.125% 2022	12,221	0.09	
€3,000,000 Royal Caribbean Cruises 5.625% 2014	2,538	0.02	
\$2,320,000 Royal Caribbean Cruises 7.5% 2027	1,733	0.01	
€13,000,000 Sappi Papier Holding 6.625% 2018	11,573	0.09	
\$5,000,000 Sappi Papier Holding 6.625% 2021	3,389	0.03	
\$2,000,000 Sappi Papier Holding 7.75% 2017	1,435	0.01	
\$17,000,000 Sappi Papier Holding 8.375% 2019	12,477	0.09	
€3,125,000 Smurfit Kappa Acquisitions 5.125% 2018	2,778	0.02	
€21,950,000 Smurfit Kappa Acquisitions 7.25% 2017	19,734	0.15	
€20,252,000 Smurfit Kappa Acquisitions 7.75% 2019	18,722	0.14	
€1,000,000 Smurfit Kappa Acquisitions FRN 2020	856	0.01	
£10,285,000 Southern Water Greensands Financing 8.5% 2019	10,895	0.08	
\$1,200,000 Spirit Aerosystems 7.5% 2017	845	0.01	
\$3,667,000 Stora Enso 6.404% 2016	2,583	0.02	
\$10,500,000 Stora Enso 7.25% 2036	6,596	0.05	
€2,000,000 Suedzucker International Finance Var. Rate Perp.	1,745	0.01	
CHF22,905,000 Sunrise Communications International 5.625% 2017	16,241	0.12	
€13,000,000 Sunrise Communications International 7% 2017	11,776	0.09	
CHF25,500,000 Sunrise Communications International 7% 2017	18,886	0.14	
\$11,205,000 Taylor Morrison Communities 7.75% 2020	7,947	0.06	
£18,350,000 Thames Water Kemble Finance 7.75% 2019	19,920	0.15	
€15,000,000 Unitymedia Hessen 5.125% 2023	12,325	0.09	
€11,000,000 Unitymedia Hessen 5.5% 2022	9,225	0.07	

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'BB' credit rated bonds (continued)</b>			
\$10,000,000 Unitymedia Hessen 5.5% 2023	6,811	0.05	
€21,383,000 Unitymedia Hessen 5.75% 2023	18,278	0.14	
€27,687,000 Unitymedia Hessen 7.5% 2019	25,489	0.19	
\$15,880,000 Unitymedia Hessen 7.5% 2019	11,499	0.09	
€22,000,000 UPCB Finance 7.625% 2020	20,173	0.15	
€28,000,000 UPCB Finance II 6.375% 2020	25,189	0.19	
\$2,500,000 UPCB Finance III 6.625% 2020	1,779	0.01	
\$10,000,000 UPCB Finance V 7.25% 2021	7,307	0.05	
£15,741,000 UPM-Kymmene 6.625% 2017	17,061	0.13	
\$7,000,000 UPM-Kymmene 7.45% 2027	4,675	0.04	
€21,000,000 Virgin Media Finance 5.125% 2022	21,144	0.16	
£6,877,000 Virgin Media Finance 8.875% 2019	7,609	0.06	
€6,000,000 Viridian Group Fund II 11.125% 2017	5,418	0.04	
\$14,725,000 Viridian Group Fund II 11.125% 2017	10,177	0.08	
€3,900,000 Wendel 5.875% 2019	3,557	0.03	
£22,000,000 William Hill 7.125% 2016	24,511	0.18	
€10,000,000 Wind Acquisition Finance 7.375% 2018 (issued Nov 2012)	8,726	0.07	
€6,000,000 Wind Acquisition Finance 7.375% 2018 (issued Apr 2012)	5,146	0.04	
€4,800,000 Ziggo Bond 8% 2018	4,381	0.03	
<b>'B' credit rated bonds</b>			
		<b>5.33</b>	<b>5.87</b>
€20,000,000 Abengoa 4.5% 2017 (Abengoa)	15,238	0.11	
\$8,000,000 Abengoa 8.875% 2017	5,158	0.04	
\$4,040,000 Agrokor 8.875% 2020	2,952	0.02	
€12,300,000 Agrokor 9.875% 2019	11,637	0.09	
CHF7,000,000 Aquila 7.875% 2018	5,158	0.04	
\$1,000,000 Albea Beauty Holdings 8.375% 2019	696	0.01	
\$2,940,000 Altice Finco 9.875% 2020	2,177	0.02	
\$3,462,000 Aperam 7.75% 2018	2,278	0.02	
€2,000,000 Ardagh Glass Finance 9.25% 2016	1,801	0.01	
€3,000,000 Ardagh MP Holdings USA 7.375% 2017	2,737	0.02	
€25,525,000 Ardagh Packaging Finance 7.375% 2017	23,350	0.18	
€4,200,000 Argiva Broadcast Finance 9.5% 2020	4,340	0.03	
€3,853,000 Avis Budget Finance 6% 2021	3,323	0.02	
€20,000,000 Bakkavor Finance 8.25% 2018	20,535	0.15	
€18,000,000 Bank of Ireland 10% 2022	16,734	0.13	
€7,368,000 Belden 5.5% 2023	6,204	0.05	
€15,750,000 Boparan Finance 9.875% 2018	17,521	0.13	
€3,000,000 Cable & Wireless International 8.625% 2019	3,397	0.02	
€10,645,000 Carlson Wagonlit 7.5% 2019	9,543	0.07	
€7,000,000 Catalent Pharma Solutions 9.75% 2017	6,130	0.05	
\$1,875,000 Cemex 5.875% 2019	1,250	0.01	
\$5,000,000 Cemex 9% 2018	3,657	0.03	
\$5,000,000 Cemex 9.5% 2018	3,835	0.03	
\$3,957,000 Cemex España Luxembourg 9.875% 2019	3,009	0.02	
\$16,025,000 Cemex Finance 9.375% 2022	12,264	0.09	
\$3,330,000 Cemex Finance 9.5% 2016	2,378	0.02	
€6,785,000 Ciech Group Financing 9.5% 2019	6,337	0.05	
\$8,086,000 Cincinnati Bell 8.375% 2020	5,542	0.04	
€20,000,000 Cirsas Funding Luxembourg 8.75% 2018	16,531	0.12	
€4,000,000 ConvaTec Healthcare 7.375% 2017	3,623	0.03	
€5,172,000 Creba European Lab 7% 2020	4,436	0.03	
\$3,380,000 Edcon 9.5% 2018	2,190	0.02	
€8,355,000 Edcon Proprietary 9.5% 2018	7,005	0.05	
€16,004,000 Edcon Proprietary 9.5% 2018 (secured)	13,466	0.10	
€4,687,000 Edcon Proprietary FRN 2014	3,959	0.03	
€5,830,000 Eileme 2 11.75% 2020	5,704	0.04	
£17,886,000 Elli Finance UK 8.75% 2019	19,406	0.15	
£11,295,000 Exova 10.5% 2018	12,283	0.09	
\$5,160,000 First Quantum Minerals 7.25% 2019	3,446	0.03	
€6,875,000 Foodcorp Property 8.75% 2018	6,381	0.05	

# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'B' credit rated bonds (continued)</b>			
£13,000,000 Gala Group Finance 8.875% 2018	13,764	0.10	
€2,085,000 Guala Closures FRN 2019	1,781	0.01	
£8,000,000 House of Fraser Funding 8.875% 2018	8,321	0.06	
\$857,000 Huntsman International 8.625% 2020	633	0.00	
\$2,273,000 Huntsman International 8.625% 2021	1,691	0.01	
€11,745,000 Inaer Aviation Finance 9.5% 2017	9,883	0.07	
\$7,500,000 Ineos Finance 7.5% 2020	5,208	0.04	
€14,500,000 Ineos Finance 9.25% 2015	12,925	0.10	
£6,666,000 Infinis 7% 2019	6,652	0.05	
€9,105,000 InterGen 8.5% 2017	7,327	0.06	
\$19,300,000 InterGen 9% 2017	12,555	0.09	
£9,900,000 InterGen 9.5% 2017	9,529	0.07	
€11,610,000 Iron Mountain 6.75% 2018	10,056	0.07	
£9,028,000 Iron Mountain 7.25% 2014	9,051	0.07	
\$1,500,000 Iron Mountain 7.75% 2019	1,093	0.01	
€8,045,000 Kabel Deutschland Holding 6.5% 2017	7,325	0.05	
€25,000,000 Kerling 10.625% 2017	19,561	0.15	
€5,000,000 KM Germany Holdings 8.75% 2020	4,557	0.03	
€1,935,000 Lecta 8.875% 2019	1,696	0.01	
€5,000,000 Magnolia Finance Var. Rate 2049 (MOL Hungarian Oil & Gas)	3,180	0.02	
€8,135,000 Matterhorn Mobile Holdings 8.25% 2020	7,472	0.06	
€2,727,273 Mobile Challenger Intermediate Group 8.75% 2019	2,327	0.02	
€2,020,000 Nara Cable Funding 8.875% 2018	1,796	0.01	
\$19,574,000 Nara Cable Funding 8.875% 2018 (issued Feb 2012)	13,459	0.10	
\$5,000,000 Nara Cable Funding 8.875% 2018 (issued Jun 2012)	3,406	0.03	
€8,000,000 Nara Cable Funding II 8.5% 2020	7,110	0.05	
€5,000,000 New World Resources 7.875% 2018	4,270	0.03	
€2,930,000 Ono Finance II 11.125% 2019	2,598	0.02	
€17,400,000 Ontex IV 7.5% 2018	15,366	0.12	
£2,915,000 Pipe Holdings 9.5% 2015	3,074	0.02	
€1,850,000 Polish Television Holding Step-Up 2017	1,685	0.01	
€18,000,000 R&R Ice Cream 8.375% 2017	16,563	0.12	
€10,000,000 Refresco Group 7.375% 2018	8,875	0.07	
\$24,000,000 Reynolds Group Issuer 5.75% 2020	16,053	0.12	
\$3,750,000 Schaeffler Finance 7.75% 2017	2,793	0.02	
€7,500,000 Schmolz & Bickenbach Luxembourg 9.875% 2019	5,715	0.04	
\$4,000,000 Shea Homes Funding 8.625% 2019	2,966	0.02	
\$2,250,000 Sprint Capital 6.875% 2028	1,516	0.01	
\$9,000,000 Sprint Capital 6.9% 2019	6,500	0.05	
\$13,500,000 Sprint Nextel 6% 2016	9,674	0.07	
\$1,500,000 Standard Pacific 8.375% 2018	1,165	0.01	
€4,185,000 Stork Technical Services Holdings 11% 2017	3,808	0.03	
€12,000,000 Styrolution Group 7.625% 2016	10,648	0.08	
\$1,000,000 Taminco Global Chemical 9.75% 2020	736	0.01	
€5,715,000 Techem 6.125% 2019	5,156	0.04	
€2,705,000 Techem Energy Metering Service 7.875% 2020	2,443	0.02	
€7,000,000 Telenet Finance III Luxembourg 6.625% 2021	6,167	0.05	
€15,000,000 Telenet Finance Luxembourg 6.25% 2022	12,966	0.10	
€4,000,000 Telenet Finance Luxembourg 6.375% 2020	3,530	0.03	
€12,780,000 Telenet Finance Luxembourg 6.75% 2024	11,324	0.09	

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>'B' credit rated bonds (continued)</b>			
€10,900,000 TVN Finance II 10.75% 2017	10,029	0.08	
€2,000,000 TVN Finance III 7.875% 2018	1,775	0.01	
€6,000,000 Unitymedia Kabel 9.5% 2021	5,811	0.04	
€10,400,000 Unitymedia KabelBW (formerly Unitymedia Hessen) 9.625% 2019	9,797	0.07	
\$5,000,000 Univision Communications 7.875% 2020	3,645	0.03	
€6,000,000 UPC Holding 6.375% 2022	5,019	0.04	
CHF12,500,000 UPC Holding 6.75% 2023	8,703	0.07	
€1,643,000 UPC Holding 9.75% 2018	1,463	0.01	
€2,600,000 Verisure Holding 8.75% 2018	2,411	0.02	
€2,786,000 Verisure Holding FRN 2018	2,360	0.02	
\$5,455,000 Windstream 7.5% 2023	3,842	0.03	
\$20,700,000 Windstream 7.875% 2017	15,631	0.12	
€3,665,000 Xefin Lux 8% 2018	3,361	0.03	
<b>'CCC' credit rated bonds</b>			
€11,000,000 Ardagh Glass Finance 7.125% 2017	9,452	0.07	0.98
€10,000,000 Ardagh Glass Finance 8.75% 2020	8,879	0.07	0.78
€3,000,000 Beverage Packaging Holdings 9.5% 2017	2,613	0.02	
€4,000,000 CMA CGM 8.875% 2019	3,117	0.02	
€3,470,000 Codere Finance Luxembourg 8.25% 2015	2,191	0.02	
\$20,000,000 Codere Finance Luxembourg 9.25% 2019	9,798	0.07	
€9,000,000 GCL Holdings 9.375% 2018	8,247	0.06	
€43,000,000 INEOS Group Holdings 7.875% 2016	36,598	0.27	
\$3,000,000 INEOS Group Holdings 8.5% 2016	2,014	0.02	
\$3,415,000 Intelsat Luxembourg 7.75% 2021	2,248	0.02	
€500,000 Leopard FRN 2023	212	0.00	
€3,640,000 Magyar Telecom 9.5% 2016	1,442	0.01	
€15,000,000 NorCell 12.4% 2019	12,676	0.10	
€22,300,000 Norcell Sweden Holding 10.75% 2019	20,398	0.15	
€5,000,000 Norske Skogindustrier 11.75% 2016	3,549	0.03	
\$9,200,000 Reynolds Group Issuer 9% 2019	6,434	0.05	
€148,371 Smile Securitisation FRN 2053	86	0.00	
<b>Bonds with no credit rating</b>			
£1,500,000 Annington Repackaging No.1 5.3236% 2023	1,733	0.01	1.43
\$5,715,000 Aquarius & Investments for Swiss Re Var. Rate Perp.	4,072	0.03	
€10,000,000 Banco Bilbao Vizcaya Argentaria 3.5% 2017	8,700	0.07	
€10,000,000 Bank of Ireland 10% 2016	8,640	0.07	
€9,000,000 Bank of Ireland Mortgage Bank 2.75% 2018	7,571	0.06	
€10,596,000 Bank of Ireland Mortgage Bank 3.125% 2015	9,167	0.07	
€8,497,512 Boats Investments Netherlands 11% 2017	3,664	0.03	
£550,000 British Land 5.264% 2035	554	0.00	
£1,800,000 British Land 5.357% 2028	1,946	0.01	
£13,100,000 Capital Shopping Centres Jersey 2.5% 2018 (Capital Shopping Centres)	13,735	0.10	
€3,600,000 Davide Campari 4.5% 2019	3,248	0.02	
€8,500,000 Davide Campari 5.375% 2016	7,837	0.06	
€17,307,986 Eirles Two FRN 2020 FRN 2020	14,698	0.11	
¥1,000,000,000 Eksportfinans 1.6% 2014	6,851	0.05	
£1,250,000 First Hydro Finance 9% 2021	1,539	0.01	
€1,545,000 Grohe FRN 2017	1,367	0.01	
£2,165,000 Heineken 7.25% 2015	2,401	0.02	
€5,667,000 IVS Group 7.125% 2020	4,803	0.04	
£1,500,000 John Lewis 6.125% 2025	1,814	0.01	
£26,000,000 John Lewis 8.375% 2019	34,049	0.26	
£1,560,000 John Lewis 10.5% 2014	1,668	0.01	
€3,090,000 La Financiere Atalian 7.25% 2020	2,663	0.02	

# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>Bonds with no credit rating (continued)</b>			
£4,000,000 Lloyds TSB Bank FRN 2016	3,793	0.03	
£3,478,000 Midland Heart Capital 5.087% 2044	3,935	0.03	
£3,000,000 MU Finance 8.75% 2017	3,221	0.02	
£20,000,000 Pennon Group Var. Rate Perp.	20,656	0.16	
£1,000,000 Romulus Finance 5.441% 2023	1,052	0.01	
£2,000,000 Severn River Crossing 6.125% IL 2013	3,673	0.03	
€7,500,000 Suez Environnement Var. Rate Perp.	6,506	0.05	
€7,835,000 Symrise 4.125% 2017	7,264	0.05	
€3,373,983 Truvo Subsidiary 8.5% 2014 <sup>[b]</sup>	57	0.00	
€1,000,000 Wereldhave 2.875% 2015 (Wereldhave)	870	0.01	
£16,500,000 Wm Morrison Supermarkets 3.5% 2026	16,163	0.12	
£10,000,000 Wm Morrison Supermarkets 4.625% 2023	10,945	0.08	
£2,214,000 Yorkshire Water Services Bradford Finance 3.625% 2029	2,182	0.02	
		<b>0.46</b>	<b>0.24</b>
<b>Credit default swaps <sup>[c]</sup></b>			
€(10,000,000) Aegon Dec 2017	(332)	0.00	
€(10,000,000) Aegon Mar 2018	(370)	0.00	
€10,000,000 AstraZeneca Jun 2017	(183)	0.00	
€10,000,000 AstraZeneca Sep 2021	(113)	0.00	
€(20,000,000) BNP Paribas Dec 2017	176	0.00	
€(10,000,000) BNP Paribas Dec 2019	(490)	0.00	
\$20,000,000 Brazil (Republic of) Dec 2015	(18)	0.00	
\$35,000,000 Brazil (Republic of) Mar 2016	10	0.00	
\$50,000,000 Brazil (Republic of) Jun 2016	16	0.00	
\$70,000,000 Brazil (Republic of) Sep 2016	104	0.00	
\$20,000,000 Brazil (Republic of) Jun 2017	97	0.00	
\$(316,800,000) CDX North American High Yield S16 5 Year Jun 2016	15,274	0.12	
\$(604,800,000) CDX North American High Yield S17 5 Year Dec 2016	23,139	0.17	
\$(148,500,000) CDX North American High Yield S18 5 Year Jun 2017	5,058	0.04	
\$(650,000,000) CDX North American High Yield S19 5 Year Dec 2017	17,468	0.13	
€3,000,000 Daimler Jun 2018	21	0.00	
€(15,000,000) Fiat Jun 2017	(190)	0.00	
\$(10,000,000) General Electric Capital Sep 2016	68	0.00	
\$(10,000,000) General Electric Capital Dec 2017	17	0.00	
\$(20,000,000) General Electric Capital Mar 2023	(597)	0.00	
€(10,000,000) Heathrow Funding Dec 2022	(691)	(0.01)	
€(5,000,000) International Consolidated Air Dec 2015	353	0.00	
€(5,000,000) International Consolidated Air Mar 2016	359	0.00	
€(5,000,000) International Consolidated Air Jun 2017	314	0.00	
\$20,000,000 iTraxx Sovereign Dec 2015	42	0.00	
€(10,000,000) Koninklijke KPN Dec 2017	(244)	0.00	
€(10,000,000) Lloyds TSB Bank Dec 2017	599	0.01	
€10,000,000 Marks & Spencer Mar 2016	82	0.00	
€2,000,000 Mediobanca Jun 2018	180	0.00	
\$(20,000,000) MetLife Sep 2015	145	0.00	
€(10,000,000) Metsa Board Dec 2015	612	0.00	
\$10,000,000 News America Sep 2016	(168)	0.00	
€(5,000,000) Nokia Dec 2017	(135)	0.00	
\$5,000,000 Pfizer Sep 2013	(5)	0.00	
\$20,000,000 Rio Tinto Sep 2017	(12)	0.00	
\$2,500,000 Rohm & Haas Sep 2013	(6)	0.00	
€30,000,000 RWE Dec 2015	(340)	0.00	
€10,000,000 Sanofi Sep 2021	(175)	0.00	

### PORTFOLIO STATEMENT (continued)

as at 31 March 2013

Holding <sup>[a]</sup>	Value £'000	31.03.13 %	30.09.12 %
<b>Credit default swaps <sup>[c]</sup> (continued)</b>			
\$2,500,000 Sherwin-Williams Sep 2013	(7)	0.00	
€(10,000,000) Société Générale Dec 2017	489	0.00	
€(5,000,000) Swedbank Mar 2017	198	0.00	
€2,000,000 Telecom Italia Mar 2018	207	0.00	
\$75,000,000 Turkey (Republic of) Jun 2016	(12)	0.00	
\$25,000,000 Turkey (Republic of) Sep 2016	30	0.00	
\$10,000,000 Turkey (Republic of) Jun 2017	52	0.00	
€(10,350,000) UBS Dec 2017	527	0.00	
€(10,000,000) Virgin Media Finance Sep 2015	628	0.00	
		<b>(1.50)</b>	<b>(0.52)</b>
<b>Forward currency contracts</b>			
A\$(8,705,840) Sold for £5,682,751 (expires 05.06.13)	(283)	0.00	
C\$(24,676,740) Sold for £15,765,424 (expires 25.04.13)	(278)	0.00	
C\$(3,732,795) Sold for £2,392,625 (expires 05.06.13)	(32)	0.00	
€9,446,925,464 Bought for £8,168,718,417 (expires 23.04.13)	(164,446)	(1.24)	
€(3,115,953) Sold for £2,695,620 (expires 23.04.13)	56	0.00	
€(837,916,319) Sold for £684,944,532 (expires 25.04.13)	(25,031)	(0.19)	
€(936,916,201) Sold for £808,428,212 (expires 05.06.13)	14,149	0.11	
€(1,274,158,305) Sold for £1,091,674,733 (expires 10.07.13)	11,022	0.08	
¥310,001,290 Bought for £2,145,265 (expires 25.04.13)	29	0.00	
¥(512,098,136) Sold for £3,538,557 (expires 25.04.13)	(53)	0.00	
CHF16,257,616 Bought for £11,393,769 (expires 23.04.13)	(102)	0.00	
CHF(98,047) Sold for £68,098 (expires 23.04.13)	0	0.00	
CHF(325,192,163) Sold for £227,019,501 (expires 25.04.13)	1,137	0.01	
CHF(67,655,235) Sold for £47,522,857 (expires 05.06.13)	494	0.00	
\$633,208,572 Bought for £423,422,739 (expires 23.04.13)	(4,646)	(0.03)	
\$(4,034,535) Sold for £2,668,339 (expires 23.04.13)	0	0.00	
\$(718,440,713) Sold for £447,920,123 (expires 25.04.13)	(27,231)	(0.21)	
\$(335,243,944) Sold for £217,888,512 (expires 05.06.13)	(3,875)	(0.03)	
\$(377,341,888) Sold for £249,790,384 (expires 10.07.13)	141	0.00	
		<b>(0.58)</b>	<b>(0.05)</b>
<b>Interest rate futures contracts</b>			
(500) 10 Year Japan Govt. Bond Jun 2013	(3,095)	(0.02)	
(8,000) 10 Year US Treasury Note Jun 2013	(5,541)	(0.04)	
(3,000) German Euro Bund Jun 2013	(5,074)	(0.04)	
(3,500) German Euro Schatz Jun 2013	(393)	(0.01)	
(16,900) UK Long Gilt Bond Jun 2013	(60,739)	(0.46)	
(1,000) Ultra Long US Treasury Bond Jun 2013	(1,153)	(0.01)	
		<b>0.38</b>	<b>2.52</b>
<b>'AAA' rated money market funds <sup>[d]</sup></b>			
50,042,000 Northern Trust Global Fund - Sterling	50,042	0.38	
<b>Portfolio of investments</b>	<b>12,704,649</b>	<b>95.49</b>	<b>97.39</b>
<b>Net other assets</b>	<b>600,109</b>	<b>4.51</b>	<b>2.61</b>
<b>Net assets attributable to shareholders</b>	<b>13,304,758</b>	<b>100.00</b>	<b>100.00</b>

<sup>[a]</sup> The underlying stock for each convertible bond is shown in brackets.

<sup>[b]</sup> Defaulted bond.

<sup>[c]</sup> Unquoted / unlisted.

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

# M&G Optimal Income Fund

## PORTFOLIO

### PORTFOLIO TRANSACTIONS

For the period ended 31 March 2013

Largest purchases	£'000
UK Long Gilt Bond Mar 2013 <sup>[a]</sup>	1,949,472
UK Long Gilt Bond Dec 2012 <sup>[a]</sup>	1,886,836
Treasury 2.25% 2014 (£)	765,498
10 Year US Treasury Note Mar 2013 <sup>[a]</sup>	697,478
10 Year Japan Government Bond Mar 2013 <sup>[a]</sup>	513,102
10 Year Japan Government Bond Dec 2012 <sup>[a]</sup>	437,478
10 Year US Treasury Note Dec 2012 <sup>[a]</sup>	374,921
German Euro Bund Mar 2013 <sup>[a]</sup>	374,723
Treasury 4.5% 2013 (£)	352,227
German Euro Schatz Mar 2013 <sup>[a]</sup>	333,285
German Euro Schatz Dec 2012 <sup>[a]</sup>	314,592
Treasury 3.25% 2044 (£)	306,794
Treasury 1% 2017 (£)	247,169
Treasury 1.25% 2018 (£)	243,474
Treasury 2% 2016 (£)	193,098
Treasury 4.5% 2042 (£)	113,747
Treasury 2.75% 2015 (£)	104,655
Ultra Long US Treasury Bond Dec 2012 <sup>[a]</sup>	104,381
Ultra Long US Treasury Bond Mar 2013 <sup>[a]</sup>	103,068
German Euro Bund Dec 2012 <sup>[a]</sup>	86,768
Northern Trust Global Fund - Sterling <sup>[b]</sup>	1,817,233
Other purchases	3,326,348
<b>Total purchases</b>	<b>14,646,347</b>
Largest sales	£'000
UK Long Gilt Bond Mar 2013 <sup>[a]</sup>	1,993,653
UK Long Gilt Bond Jun 2013 <sup>[a]</sup>	1,943,170
US 10 Year Note (CBT) Jun 2013 <sup>[a]</sup>	691,354
10 Year US Treasury Note Mar 2013 <sup>[a]</sup>	660,804
Treasury 2.5% IL 2016 (£)	626,493
10 Year Japan Government Bond Mar 2013 <sup>[a]</sup>	537,903
10 Year Japan Government Bond Jun 2013 <sup>[a]</sup>	513,347
Treasury 2.5% IL 2020 (£)	371,638
10 Year US Treasury Note Dec 2012 <sup>[a]</sup>	370,258
German Euro Bund Jun 2013 <sup>[a]</sup>	369,981
German Euro Bund Mar 2013 <sup>[a]</sup>	351,710
Treasury 4.5% 2013 (£)	350,388
German Euro Schatz Jun 2013 <sup>[a]</sup>	333,090
German Euro Schatz Mar 2013 <sup>[a]</sup>	314,493
Treasury 1.875% IL 2022 (£)	150,809
UK Long Gilt Bond Dec 2012 <sup>[a]</sup>	132,712
10 Year Japan Government Bond Dec 2012 <sup>[a]</sup>	114,597
Ultra Long US Treasury Bond Dec 2012 <sup>[a]</sup>	106,056
Ultra Long US Treasury Bond Mar 2013 <sup>[a]</sup>	103,513
Ultra Long US Treasury Bond Jun 2013 <sup>[a]</sup>	102,903
Northern Trust Global Fund - Sterling <sup>[b]</sup>	2,008,001
Other sales	958,167
<b>Total sales</b>	<b>13,105,040</b>

<sup>[a]</sup> Purchases and sales of Futures have been included at the value of their exposure.

<sup>[b]</sup> Cash management fund used to reduce risk and manage surplus cash.

## INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 31 March 2013.

### STATEMENT OF TOTAL RETURN

	2013		2012	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		785,130		339,175
Revenue	230,585		176,298	
Expenses	(75,225)		(38,849)	
Finance costs: Interest	(45)		(6)	
Net revenue before taxation	155,315		137,443	
Taxation	(2,207)		(1,071)	
Net revenue after taxation		153,108		136,372
<b>Total return before distributions</b>		<b>938,238</b>		<b>475,547</b>
Finance costs: Distributions		(153,126)		(136,364)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>785,112</b>		<b>339,183</b>

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

	2013		2012	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>		<b>9,561,999</b>		<b>5,025,058</b>
Amounts received on issue of shares	3,341,668		2,186,473	
Amounts paid on cancellation of shares	(516,970)		(262,264)	
		2,824,698		1,924,209
Stamp Duty Reserve Tax		(182)		(91)
Change in net assets attributable to shareholders from investment activities (see above)		785,112		339,183
Retained distributions on Accumulation shares		133,131		107,541
<b>Closing net assets attributable to shareholders</b>		<b>13,304,758</b>		<b>7,395,900</b>

The opening net assets attributable to shareholders for 2013 differs to the closing position in 2012 by the change in net assets attributable to shareholders for the second half of the comparative financial year.

# M&G Optimal Income Fund

## INTERIM FINANCIAL STATEMENTS (unaudited)

### BALANCE SHEET

	as at 31 March 2013		as at 30 September 2012	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		13,010,709		9,385,502
Debtors	384,445		395,807	
Cash and bank balances	337,340		161,416	
<b>Total other assets</b>		<b>721,785</b>		<b>557,223</b>
<b>Total assets</b>		<b>13,732,494</b>		<b>9,942,725</b>
<b>Liabilities</b>				
Investment liabilities		(306,060)		(73,524)
Creditors				
Net distributions payable on Income shares	(26,483)		(34,003)	
Other creditors	(93,641)		(273,199)	
Bank overdrafts	(1,552)		0	
<b>Total other liabilities</b>		<b>(121,676)</b>		<b>(307,202)</b>
<b>Total liabilities</b>		<b>(427,736)</b>		<b>(380,726)</b>
<b>Net assets attributable to shareholders</b>		<b>13,304,758</b>		<b>9,561,999</b>

### NOTE TO THE FINANCIAL STATEMENTS

#### Accounting policies

The interim financial statements have been prepared on the same basis as the audited annual financial statements for the year ended 30 September 2012. They are in accordance with the historical cost convention, as modified by the revaluation of investments, and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association in October 2010.

# M&G Optimal Income Fund

## 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.

J R TALBOT  
G W MACDOWALL } Directors

15 May 2013



# Further Information

## RISK FACTOR

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.

## LIQUIDITY

The ACD's policy is that the fund should normally be close to fully invested but this is subject to the need to retain liquidity for the purpose of effecting the redemption of shares, and the efficient management of the fund in accordance with its objective. There may, therefore, be occasions when there will be higher levels of liquidity, for example following the issue of shares or the realisation of investments. Higher liquidity levels may also arise when the fund's asset allocation policy is changed.

## DILUTION

The actual cost of purchasing or selling a fund's investments may deviate from the mid-market price due to dealing costs and these costs can have an adverse effect on the value of the fund, known as 'dilution'. The Collective Investment Schemes sourcebook, as issued (and amended) by the Financial Conduct Authority, allows the cost of dilution to be recovered from investors on the purchase or redemption of shares by means of a dilution adjustment to the dealing price, and this is the policy which has been adopted by the ACD.

Further information on the ACD's dilution adjustment policy is in the Prospectus, which is available free of charge from the ACD, M&G Securities Limited.

## THE EU SAVINGS DIRECTIVE

The percentage of the M&G Optimal Income Fund held in interest-bearing assets (as defined by the UK rules for the EU Savings Directive 2003/48/EC) is 89.72%.

## PORTFOLIO TURNOVER RATES

The Portfolio Turnover Rate (PTR) is a ratio that reflects the volume of trading within the fund over the course of a 12 month period. The PTR is calculated by taking the sum of all transactions in securities less the sum of all transactions in the fund's shares and is expressed as a percentage of the fund's average net asset value.

The unaudited PTRs for this fund, published for funds currently registered in Switzerland, are as follows:

	as at 31.03.13	as at 30.09.12
M&G Optimal Income Fund	69.71%	75.90%

## TOTAL EXPENSE RATIOS

The Total Expense Ratio (TER) is shown only for those share classes currently available in Switzerland. The TER shows the relevant annualised operating expenses of each share class from the most recent reporting period as a single percentage of the average net asset value for that share class over the same period.

The unaudited TERs for this fund, published for funds currently registered in Switzerland, are as follows:

		Share class (Accumulation)	Total Expense Ratio	
			31.03.13	30.09.12
			%	%
M&G Optimal Income Fund	Euro	Class 'A-H'	1.46	1.47
		Class 'C-H'	0.96	0.97
	Swiss franc	Class 'A-H'	1.46	1.46
		Class 'C-H'	0.96	0.96
	US dollar	Class 'A-H'	1.46	1.47
		Class 'C-H'	0.96	0.98

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.

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