

## M&G Investment Funds (3)



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# Introduction

## COMPANY INFORMATION

### Company

M&G Investment Funds (3)

### Registered Office

Laurence Pountney Hill, London EC4R 0HH, UK

### Authorised Corporate Director (ACD)

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

(Authorised and regulated by the Financial Conduct Authority)

### Directors of the ACD

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

### Investment Manager

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 managers

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

#### M&G Corporate Bond Fund

Richard Woolnough

#### M&G Dividend Fund

Phil Cliff

At the start of the review period Alex Odd was the fund manager.

#### M&G Emerging Markets Bond Fund

Claudia Calich

At the start of the review period Mike Riddell was the fund manager.

#### M&G European Corporate Bond Fund

Stefan Isaacs

#### M&G European High Yield Bond Fund

James Tomlins

#### M&G Fund of Investment Trust Shares

Richard O'Connor

#### M&G International Sovereign Bond Fund

Mike Riddell

#### M&G Recovery Fund

Tom Dobell

#### M&G Smaller Companies Fund

Louise Nash

### 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.

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

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

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

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

Telephone: +49 69 1338 6767  
Email: [iocs@mandg.co.uk](mailto:iocs@mandg.co.uk)

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

### Austrian Paying and Information Agent:

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

### Danish Representative Agent:

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

### French Centralising Agent:

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

During the accounting period, the effective proportion of the net assets of the M&G Recovery Fund in PEA ('Plan d'Épargne en Actions') eligible assets has permanently been equal to at least 75%.

### German Paying and Information Agent:

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

### Irish Facilities Agent:

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

### Italian Correspondent Banks:

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

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

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

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

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

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

### Luxembourg Paying and Information Agent:

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

### Spanish Representative:

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

### Swedish Paying Agent:

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

### Swiss Paying Agent:

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

### Swiss Representative:

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

# Introduction

## 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 December 2013.

The sub-funds in this report are all part of an umbrella Open-Ended Investment Company (OEIC), M&G Investment Funds (3). This OEIC is an Investment Company with Variable Capital (ICVC) incorporated under the Open-Ended Investment Companies Regulations 2001. It is authorised and regulated by the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000. M&G Investment Funds (3), as an umbrella OEIC, contains nine sub-funds, each of which is a UCITS (Undertakings for Collective Investment in Transferable Securities) scheme as defined in the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA:

M&G Corporate Bond Fund

M&G Dividend Fund

M&G Emerging Markets Bond Fund

M&G European Corporate Bond Fund

M&G European High Yield Bond Fund

M&G Fund of Investment Trust Shares

M&G International Sovereign Bond Fund

M&G Recovery Fund

M&G Smaller Companies Fund

The Company was authorised on 8 August 2001 and was launched on 7 March 2002, following the conversion of a series of authorised unit trusts.

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

The interim investment report and unaudited financial statements for each sub-fund for the six months ended 31 December 2013 are set out in detail in their section of this report (see contents page).

G W MacDowall  
Director of M&G Securities Limited

L J Mumford  
Director of M&G Securities Limited

12 February 2014

# Aggregated Financial Statements (unaudited)

For the six months ended 31 December 2013.

STATEMENT OF TOTAL RETURN				
	2013		2012 <sup>[a]</sup>	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		757,646		948,910
Revenue	279,829		303,693	
Expenses	(92,054)		(98,645)	
Finance costs: Interest	(30)		(11)	
Net revenue before taxation	187,745		205,037	
Taxation	(1,137)		(573)	
Net revenue after taxation		186,608		204,464
<b>Total return before distributions</b>		<b>944,254</b>		<b>1,153,374</b>
Finance costs: Distributions		(180,638)		(196,851)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>763,616</b>		<b>956,523</b>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS				
	2013		2012 <sup>[a]</sup>	
	£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders		16,577,788		16,739,456
Amounts received on issue of shares	1,126,430		1,186,340	
Amounts paid on cancellation of shares	(2,052,434)		(1,575,087)	
		(926,004)		(388,747)
Stamp Duty Reserve Tax		487		(1,926)
Change in net assets attributable to shareholders from investment activities (see above)		763,616		956,523
Retained distributions on Accumulation shares		75,315		77,962
Unclaimed distributions		137		115
<b>Closing net assets attributable to shareholders</b>		<b>16,491,339</b>		<b>17,383,383</b>

<sup>[a]</sup> The comparative figures for 2012 include the M&G UK Select Fund, which terminated on 15 March 2013.

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

## BALANCE SHEET

	as at 31 December 2013		as at 30 June 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		16,389,093		16,555,902
Debtors	166,324		250,399	
Cash and bank balances	66,429		5,828	
<b>Total other assets</b>		<b>232,753</b>		<b>256,227</b>
<b>Total assets</b>		<b>16,621,846</b>		<b>16,812,129</b>
<b>Liabilities</b>				
Investment liabilities		(17,635)		(9,428)
Creditors				
Net distributions payable on Income shares	(53,944)		(77,933)	
Other creditors	(57,572)		(131,243)	
Bank overdraft	(1,356)		(15,737)	
<b>Total other liabilities</b>		<b>(112,872)</b>		<b>(224,913)</b>
<b>Total liabilities</b>		<b>(130,507)</b>		<b>(234,341)</b>
<b>Net assets attributable to shareholders</b>		<b>16,491,339</b>		<b>16,577,788</b>

## NOTE TO THE FINANCIAL STATEMENTS

### Accounting policies

The accounting policies applied are set out in the notes to the financial statements of each of the sub-funds.

The aggregated financial statements represent the summation of the financial statements for each of the sub-funds.

## DIRECTORS' STATEMENT

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

G W MACDOWALL }  
L J MUMFORD } Directors

12 February 2014

# M&G Corporate Bond Fund

## AUTHORISED CORPORATE DIRECTOR'S REPORT

### Investment objective of the M&G Corporate Bond Fund

The Fund aims to achieve a higher total return (the combination of income and growth of capital) from investment than would be obtainable in UK government fixed interest securities (ie gilts) of similar maturities.

### Investment policy of the M&G Corporate Bond Fund

The Fund invests mainly in sterling denominated corporate debt instruments. The Fund's exposure to corporate debt may be gained through the use of derivatives. Any currency exposures within the Fund may be managed by currency hedges into sterling. The Fund may also invest in other assets including collective investment schemes, other transferable securities and other debt instruments (including corporate debt and government and public securities denominated in any currency), cash and near cash, deposits, warrants, money market instruments and other derivative instruments.

### Investment approach

The M&G Corporate Bond Fund is invested primarily in sterling-denominated investment grade debt. However, up to 20% of the portfolio may be invested in higher yielding corporate bonds, government debt, convertibles and preference stocks, as well as money market instruments. The fund's exposure to corporate debt may be gained through the use of derivatives.

The investment approach is very much 'top-down', therefore, the fund manager's economic outlook will determine the portfolio's duration, and in which asset classes and sectors it is concentrated.

The fund manager uses proprietary research, rather than external research. M&G's in-house team of credit analysts provides bottom-up analysis of the corporate bond markets, which complements the fund manager's top-down views.

### 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 January 2014, for the six months ended 31 December 2013

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

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<sup>[a]</sup> yields, otherwise known as 'duration'. (Bond yields represent the interest received from a bond as a percentage of its investment cost, current market value or face value.) With yields on bonds at historically low levels in the first half of 2013, we had kept the fund's duration position short versus a comparable index. Following the market sell-off that began in May 2013, we believed bonds had begun to offer more value, and so we started to incrementally increase the portfolio's duration accordingly. This rose from 6.5 years in May at the start of the market instability, to 7.0 years in September, finishing 2013 at 7.2 years. Nevertheless, the fund remains overall slightly short duration versus a comparable index, reflecting our view that bond yields are still likely to rise slightly in the coming months.

The shifts in duration were the most significant changes to occur in the portfolio during the period under review. The fund's credit risk positioning was broadly unchanged over the period, although we did take part in a number of new bond sales, including a record-breaking \$49 billion new deal from US telecommunications firm Verizon, which was generously priced to enable the company to complete such a sizeable transaction.

We remain underweight in banks relative to our peer group and continue to be highly selective when lending to firms in the sector.

**Richard Woolnough**  
Fund manager

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

<sup>[a]</sup> A bond is a loan in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

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 Corporate Bond Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Third interim	01.04.14	31.05.14
Final	01.07.14	31.08.14
First interim	01.10.14	30.11.14
Second interim	02.01.15	28.02.15

	Interim distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 28.02.14 <sup>[a]</sup>	Acc 02.01.14 <sup>[a]</sup>	31.12.13	30.06.13
<b>Sterling</b>	p	p	%	%
Class 'A'	0.2632	0.3984	1.16	1.16
Class 'I'	0.3020	0.4660	0.66	0.66
Class 'R'	0.7572	0.7840	0.91	0.91 <sup>[c]</sup>
Class 'X'	0.2444	0.3604	1.41	1.41
<b>Euro</b>	€	€	%	%
Class 'A'	n/a	13.0208	1.41	1.41
Class 'C'	n/a	16.6200	0.68	0.66

<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 comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had 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 31.12.13		Net asset value per share as at 30.06.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	37.24	56.67	37.19	55.82	+0.13	+1.52
Class 'I'	37.25	58.18	37.20	57.18	+0.13	+1.75
Class 'R'	99.56	103.83	99.41	102.00	+0.15	+1.79
Class 'X'	37.25	55.33	37.20	54.56	+0.13	+1.41
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	n/a	15.9796	n/a	15.2626	n/a	+4.70
Class 'C'	n/a	16.5403	n/a	15.7305	n/a	+5.15

### PERFORMANCE SINCE LAUNCH

	six months 01.07.13 %	one year 02.01.13 %	five years 02.01.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+1.9	+1.3	+8.9	+6.5 <sup>[c]</sup>
Class 'I'	+2.1	+1.7	+9.3	+7.8 <sup>[d]</sup>
Class 'R'	+2.0	+1.6	n/a	+2.6 <sup>[e]</sup>
Class 'X'	+1.8	+1.0	+8.7	+6.4 <sup>[f]</sup>
<b>Euro <sup>[g]</sup></b>				
Class 'A'	+5.6	-0.2	+12.8	+4.4 <sup>[h]</sup>
Class 'C'	+5.9	+0.6	+13.6	+4.7 <sup>[h]</sup>

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

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

<sup>[c]</sup> 15 April 1994. All performance data prior to 11 March 2002 (the launch date of the share class) has been calculated by reference to a conversion factor due to a change of the nominated share class.

<sup>[d]</sup> 2 July 2007, the launch date of the share class.

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

<sup>[f]</sup> 15 April 1994, the end of the initial offer period of the predecessor unit trust.

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

<sup>[h]</sup> 29 November 2002, the launch date of the share class.

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

From	31.12.12	30.12.11	31.12.10	31.12.09	31.12.08
To	31.12.13	31.12.12	30.12.11	31.12.10	31.12.09
	%	%	%	%	%
<b>Sterling</b>					
Class 'A'	-0.3	+11.3	+8.9	+7.1	+18.2

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



# M&G Corporate Bond Fund

## FUND STATISTICS

### PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>		<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A'	2009	33.09	27.84	44.12	36.05
	2010	35.37	32.35	48.76	43.55
	2011 <sup>[a]</sup>	35.68	33.22	51.02	46.32
	2012	38.62	35.32	56.87	50.89
	2013	39.35	36.97	58.69	55.37
	2014 <sup>[b]</sup>	37.21	37.21	56.63	56.63
Class 'I'	2009	33.12	27.85	44.55	36.28
	2010	35.42	32.36	49.41	43.99
	2011 <sup>[a]</sup>	35.72	33.24	51.96	47.00
	2012	38.68	35.33	58.14	51.83
	2013	39.38	37.01	60.08	56.72
	2014 <sup>[b]</sup>	37.23	37.23	58.14	58.14
Class 'R'	2012 <sup>[c]</sup>	103.34	99.29	103.80	99.29
	2013	105.23	98.86	107.20	101.18
	2014 <sup>[b]</sup>	99.49	99.49	103.76	103.76
Class 'X'	2009	33.09	27.83	43.43	35.54
	2010	35.36	32.36	47.92	42.86
	2011 <sup>[a]</sup>	35.67	33.22	50.02	45.49
	2012	38.61	35.33	55.64	49.89
	2013	39.35	36.96	57.38	54.12
	2014 <sup>[b]</sup>	37.22	37.22	55.29	55.29
<b>Euro (gross)</b>		<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Class 'A'	2009	n/a	n/a	11.4460	8.7929
	2010	n/a	n/a	13.6873	11.1372
	2011 <sup>[a]</sup>	n/a	n/a	14.2073	12.3152
	2012	n/a	n/a	16.5404	14.1904
	2013	n/a	n/a	16.3087	14.9194
	2014 <sup>[b]</sup>	n/a	n/a	16.0619	16.0619
Class 'C'	2009	n/a	n/a	11.4886	8.7669
	2010	n/a	n/a	13.8092	11.1827
	2011 <sup>[a]</sup>	n/a	n/a	14.4782	12.4837
	2012	n/a	n/a	16.9264	14.4621
	2013	n/a	n/a	16.7857	15.3344
	2014 <sup>[b]</sup>	n/a	n/a	16.6265	16.6265

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

<sup>[b]</sup> To 2 January 2014.

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

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

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

## INCOME

Interest income per share	Calendar year	Distributed			Reinvested	
		Interims	Final	Interim	Total	
<b>Sterling (net)</b>		<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A'	2009	0.5521	0.2860	0.3100	1.1481	1.4987
	2010	0.6160	0.3000	0.3020	1.2180	1.6424
	2011	0.5900	0.2900	0.2840	1.1640	1.6316
	2012	0.5392	0.2620	0.2520	1.0532	1.5236
	2013	0.4924	0.2412	0.2524	0.9860	1.4640
	2014 <sup>[a]</sup>	0.2632	-	-	0.2632	0.3984
Class 'I'	2009	0.6089	0.3160	0.3420	1.2669	1.6628
	2010	0.6820	0.3320	0.3360	1.3500	1.8448
	2011	0.6600	0.3240	0.3200	1.3040	1.8488
	2012	0.6112	0.2980	0.2900	1.1992	1.7656
	2013	0.5665	0.2816	0.2908	1.1389	1.7299
	2014 <sup>[a]</sup>	0.3020	-	-	0.3020	0.4660
Class 'R'	2012	n/a	n/a	0.4416	0.4416	0.4412
	2013	1.4076	0.6868	0.7244	2.8188	2.8748
	2014 <sup>[a]</sup>	0.7572	-	-	0.7572	0.7840
Class 'X'	2009	0.5246	0.2720	0.2940	1.0906	1.4022
	2010	0.5840	0.2820	0.2840	1.1500	1.5268
	2011	0.5560	0.2740	0.2660	1.0960	1.5072
	2012	0.5040	0.2460	0.2320	0.9820	1.3904
	2013	0.4532	0.2216	0.2336	0.9084	1.3212
	2014 <sup>[a]</sup>	0.2444	-	-	0.2444	0.3604
<b>Euro (gross)</b>		<b>¢</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>
Class 'A'	2009	n/a	n/a	n/a	n/a	44.4032
	2010	n/a	n/a	n/a	n/a	52.8624
	2011	n/a	n/a	n/a	n/a	50.6087
	2012	n/a	n/a	n/a	n/a	50.4388
	2013	n/a	n/a	n/a	n/a	47.2474
	2014 <sup>[a]</sup>	n/a	n/a	n/a	n/a	13.0208
Class 'C'	2009	n/a	n/a	n/a	n/a	51.5891
	2010	n/a	n/a	n/a	n/a	61.3939
	2011	n/a	n/a	n/a	n/a	60.5233
	2012	n/a	n/a	n/a	n/a	62.8895
	2013	n/a	n/a	n/a	n/a	61.2251
	2014 <sup>[a]</sup>	n/a	n/a	n/a	n/a	16.6200

<sup>[a]</sup> Up to interim: ex-distribution date 2 January 2014; payment date 28 February 2014.

# M&G Corporate Bond Fund

## FUND STATISTICS

NET ASSETS					
	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>					
Class 'A'	Jun 2011	33.91	48.11	3,369,352,994	2,283,562,546
	Jun 2012	36.00	52.65	4,078,914,994	2,718,625,546
	Jun 2013	37.19	55.82	2,871,182,994	2,465,058,546
	Dec 2013	37.24	56.67	2,434,783,994	2,062,009,546
Class 'I'	Jun 2011	33.93	48.89	5,333,008,275	106,645,000
	Jun 2012	36.01	53.72	6,819,224,275	198,509,000
	Jun 2013	37.20	57.18	6,266,716,275	225,344,000
	Dec 2013	37.25	58.18	6,258,710,275	362,338,000
Class 'R'	Jun 2013	99.41	102.00	1,887,000	490,500
	Dec 2013	99.56	103.83	2,372,000	735,500
Class 'X'	Jun 2011	33.92	47.21	1,862,277,907	112,680,357
	Jun 2012	36.00	51.56	1,793,124,907	112,936,357
	Jun 2013	37.20	54.56	1,675,035,907	94,330,357
	Dec 2013	37.25	55.33	1,590,757,907	69,918,357
<b>Euro</b>					
Class 'A'	Jun 2011	n/a	12.3630	n/a	561,647
	Jun 2012	n/a	15.2546	n/a	3,542,947
	Jun 2013	n/a	15.2626	n/a	1,892,147
	Dec 2013	n/a	15.9796	n/a	1,577,847
Class 'C'	Jun 2011	n/a	12.5521	n/a	38,500
	Jun 2012	n/a	15.6031	n/a	873,100
	Jun 2013	n/a	15.7305	n/a	142,500
	Dec 2013	n/a	16.5403	n/a	275,000
<b>Total net asset value of sub-fund</b>					
	Period ended	£		€ [a]	
	Jun 2011	4,794,224,000		5,301,284,000	
	Jun 2012	6,220,370,000		7,715,147,000	
	Jun 2013	5,607,891,000		6,536,775,000	
	Dec 2013	5,276,623,000		6,333,911,000	

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

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'AAA' credit rated bonds</b>			
£2,500,000 Abbey National Treasury Services 5.125% 2021	2,788	0.05	10.52
£5,860,000 Abbey National Treasury Services FRN 2017	6,059	0.11	12.45
£3,438,661 Alba 1.7425% 2049	3,443	0.07	
£6,803,195 Alba FRN 2051	6,933	0.13	
£16,414,000 Arkle Master Issuer Var. Rate 2060 (3.986%)	17,455	0.33	
£5,700,000 Arkle Master Issuer Var. Rate 2060 (4.681%)	6,177	0.12	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'AAA' credit rated bonds (continued)</b>			
£400,000 BL Superstores Finance 4.482% 2030 'A2'	421	0.01	
£5,000,000 Broadgate Financing 4.821% 2036	5,274	0.10	
£700,000 Broadgate Financing 4.851% 2033	738	0.01	
£1,968,170 Broadgate Financing 4.949% 2031	2,155	0.04	
£10,537,874 Broadgate Financing FRN 2032	10,066	0.19	
£18,340,000 Cie de Financement Foncier 5.5% 2027	20,254	0.39	
£3,250,000 CTRL Section 1 Finance 5.234% 2035	3,678	0.07	
£640,000 European Coal and Steel 6.8875% 2019	761	0.01	
£10,000,000 European Investment Bank 4.5% 2029	10,556	0.20	
£15,000,000 European Investment Bank 6% 2028	18,530	0.35	
£438,660 First Flexible No.5 FRN 2034	413	0.01	
£11,000,000 Fosse Master Issuer Var. Rate 2054 (4.635%)	11,887	0.23	
£8,869,936 Holmes Master Issuer FRN 2054	8,989	0.17	
£10,547,000 Lanark Master Issuer FRN 2054 12-2A	10,910	0.21	
\$25,000,000 Microsoft 2.375% 2023	13,680	0.27	
\$8,750,000 Microsoft 3.5% 2042	4,321	0.08	
\$25,000,000 Microsoft 3.75% 2043	12,871	0.24	
\$8,000,000 Microsoft 4.5% 2040	4,675	0.09	
\$3,000,000 Microsoft 5.2% 2039	1,903	0.04	
\$1,500,000 Microsoft 5.3% 2041	978	0.02	
£4,038,000 Paragon Mortgages No.8 FRN 2041 'A'	4,042	0.08	
£5,000,000 Permanent Master Issuer FRN 2042 '2A'	5,159	0.10	
£22,000,000 Permanent Master Issuer Var. Rate 2042 (4.805%)	23,766	0.46	
£3,989,000 Rochester Financing No.1 plc FRN 2046	3,990	0.08	
£5,000,000 Silverstone Master Issuer FRN 2055 '2A2'	5,180	0.10	
£5,450,000 Silverstone Master Issuer FRN 2055 'A3'	5,931	0.11	
£5,623,526 Tenterden Funding FRN 2044	5,695	0.11	
£15,000,000 Treasury 3.25% 2044	13,858	0.26	
£2,000,000 Treasury 4% Perp.	1,863	0.04	
£75,000,000 Treasury 4.25% 2027	82,073	1.57	
£4,000,000 Treasury 4.25% 2032	4,390	0.08	
£10,000,000 Treasury 4.25% 2049	11,297	0.21	
£3,000,000 Treasury 4.5% 2034	3,406	0.06	
£3,250,000 Treasury 4.75% 2038	3,865	0.07	
£161,000,000 Treasury 5% 2025	188,499	3.58	
£3,000,000 Treasury 6% 2028	3,908	0.07	
<b>'AA' credit rated bonds</b>			
£5,000,000 Allianz Finance II 4.5% 2043	4,984	0.09	8.69
\$35,000,000 Apple 2.4% 2023	18,973	0.36	10.52
\$50,000,000 Apple 3.85% 2023	25,238	0.48	
£1,699,920 Autolink Concessionaires 8.39% 2022	1,995	0.04	
£815,000 Broadgate Financing 4.999% 2033	855	0.02	
\$9,950,000 CNOOC Finance 3% 2023	5,384	0.11	
£2,400,000 Federal National Mortgage Association 5.375% 2021	2,725	0.05	
£5,601,000 Federal National Mortgage Association 5.375% 2028	6,334	0.12	
£6,000,000 GE Capital UK Funding 4.375% 2019	6,369	0.12	
£9,000,000 GE Capital UK Funding 5.875% 2020	10,337	0.20	
£4,500,000 GE Capital UK Funding 6.75% 2018	5,281	0.10	
£3,000,000 General Electric Capital 4.875% 2037	2,931	0.06	
\$15,000,000 General Electric Capital 5.875% 2038	10,236	0.19	
£14,824,000 General Electric Capital 6.25% 2020	17,331	0.33	
£4,192,833 General Electric Capital 6.44% 2022	4,783	0.09	

# M&G Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'AA' credit rated bonds (continued)</b>			
£8,054,164 Integrated Accommodation 6.48% 2029	9,657	0.18	
£960,000 Investor 5.5% 2037	1,057	0.03	
£6,807,000 JPMorgan Fleming Mercantile Investment Trust 6.125% 2030	6,914	0.13	
£12,175,000 Land Securities Capital Markets Var. Rate 2019 (4.875%)	13,416	0.25	
£7,037,000 Land Securities Capital Markets Var. Rate 2022 'A3' (5.425%)	7,918	0.15	
£12,937,000 Land Securities Capital Markets Var. Rate 2025 (4.875%)	14,083	0.27	
£13,110,000 Land Securities Capital Markets Var. Rate 2026 'A4' (5.391%)	14,701	0.28	
£15,500,000 Land Securities Capital Markets Var. Rate 2027 'A5' (5.391%)	17,387	0.33	
£7,055,000 MetLife Global Funding 3.5% 2026	6,663	0.13	
£8,781,604 NATS En Route 5.25% 2026	9,723	0.19	
\$3,030,000 Nordea Bank 4.875% 2021	2,017	0.04	
£237,626 Opera Finance FRN 2017 'A'	237	0.00	
\$1,197,851 Paragon Mortgages No.13 FRN 2041 'A2C'	646	0.01	
\$2,000,000 Pfizer 7.2% 2039	1,627	0.03	
£2,600,000 Places for People 5.09% 2043	2,723	0.05	
£1,600,000 Places for People 8.625% 2020	1,960	0.04	
£2,600,000 Quadrant Housing Var. Rate 2033 (7.9%)	3,451	0.07	
\$3,000,000 Rabobank Nederland 5.8% 2110	1,796	0.03	
€2,763,000 Rabobank Nederland Var. Rate 2035 (4.828%)	2,371	0.04	
£12,000,000 Réseau Ferré de France 4.83% 2060	12,771	0.24	
£10,000,000 Réseau Ferré de France 5% 2052	10,910	0.21	
£6,000,000 Réseau Ferré de France 5.25% 2028	6,632	0.13	
£7,000,000 Réseau Ferré de France 5.25% 2035	7,660	0.15	
\$1,000,000 Roche Holdings 6% 2019	709	0.01	
£3,621,991 RSL Finance No.1 6.625% 2038	4,425	0.08	
£1,800,000 Scotland Gas Network 4.75% 2017	1,935	0.04	
\$1,000,000 Security Capital Group 7.7% 2028	762	0.01	
\$17,500,000 Shell International Finance 3.4% 2023	10,385	0.20	
\$5,500,000 Shell International Finance 6.375% 2038	4,077	0.08	
£4,770,000 SLM Student Loan Trust 5.15% 2039	4,532	0.09	
£14,000,000 SNCF 5.375% 2027	15,524	0.29	
\$3,320,000 Statoil 3.7% 2024	1,981	0.04	
£2,867,431 Telereal Securitisation 5.5534% 2033	3,266	0.06	
£4,779,100 Telereal Securitisation 5.9478% 2033 'A4'	5,574	0.11	
£241,080 Trafford Centre Finance FRN 2015 'A1'	238	0.00	
£5,400,000 Trafford Centre Finance FRN 2038 'A3'	4,698	0.09	
£23,000,000 Transport for London 2.25% 2022	21,103	0.40	
\$21,000,000 US Treasury 3.625% 2043	12,058	0.23	
£10,000,000 Wal-Mart Stores 4.875% 2039	10,856	0.21	
£2,500,000 Wal-Mart Stores 5.25% 2035	2,832	0.05	
£30,000,000 Wal-Mart Stores 5.625% 2034	35,629	0.68	
\$30,000,000 Wal-Mart Stores 5.625% 2040	20,383	0.39	
\$7,250,000 Wal-Mart Stores 6.2% 2038	5,326	0.10	
\$9,000,000 Wal-Mart Stores 6.5% 2037	6,815	0.13	
£1,900,000 Witan Investment Trust 6.125% 2025	2,096	0.04	
\$1,250,000 Wyeth 5.95% 2037	878	0.02	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'A' credit rated bonds</b>			
\$5,000,000 ABN AMRO Bank Var. Rate 2022 (6.25%)	3,244	0.06	
£1,500,000 Aegon 6.625% 2039	1,881	0.04	
£695,787 Aire Valley Mortgages FRN 2066 05-1X2A1	668	0.01	
\$10,185,563 Aire Valley Mortgages FRN 2066 06-1A144A	5,868	0.11	
£2,500,000 Aire Valley Mortgages FRN 2066 06-1B3	2,213	0.04	
£5,645,425 Aire Valley Mortgages FRN 2066 06-2A2	5,414	0.10	
\$3,585,018 Aire Valley Mortgages FRN 2066 07-2A1	2,067	0.04	
£2,846,504 Aire Valley Mortgages FRN 2066 07-2A3	2,720	0.05	
€10,100,000 Allianz Var. Rate 2042 (5.625%)	9,339	0.18	
£2,750,000 America Movil 5% 2026	2,862	0.05	
\$3,500,000 America Movil 6.125% 2040	2,261	0.04	
\$1,000,000 América Móvil SAB de CV 6.375% 2035	657	0.01	
£1,500,000 American International Group 6.765% 2017	1,731	0.03	
£4,000,000 Amgen 4% 2029	3,692	0.07	
\$34,000,000 Amgen 5.375% 2026	37,486	0.71	
\$4,500,000 Amgen 5.375% 2043	2,784	0.05	
£2,604,000 Anglian Water Services 5.837% 2022	2,996	0.06	
£1,550,000 Anglian Water Services Step-Up 2029	1,915	0.04	
£1,150,000 Anglian Water Services Var. Rate 2014 (12.375%)	1,150	0.02	
£12,770,000 Anglian Water Services Var. Rate 2023 (6.875%)	15,636	0.30	
£2,000,000 Annington Finance No.4 Var. Rate 2023 (6.5676%)	2,110	0.04	
£2,400,000 ASIF II 6.375% 2020	2,815	0.05	
£10,974,000 ASIF III Jersey 5% 2018	12,092	0.23	
£7,000,000 ASIF III Jersey 5.375% 2016	7,629	0.14	
\$7,442,000 AT&T 4.3% 2042	3,842	0.07	
£43,000,000 AT&T 4.875% 2044	41,796	0.79	
\$2,150,000 AT&T 5.35% 2040	1,279	0.02	
\$8,500,000 AT&T 5.55% 2041	5,231	0.10	
\$8,000,000 AT&T 6.5% 2037	5,430	0.10	
\$14,000,000 AT&T 6.55% 2039	9,714	0.18	
\$5,000,000 Bank of America 3.3% 2023	2,849	0.05	
£16,500,000 Bank of America 6.125% 2021	18,966	0.36	
£1,100,000 Bank of America 7% 2028	1,371	0.03	
\$5,000,000 Bank of America FRN 2016 (0.5601%)	3,002	0.06	
£3,400,000 Bank of Scotland 2.64% 2020	5,232	0.10	
£3,750,000 BAT International Finance 6% 2022	4,362	0.08	
\$12,000,000 BAT International Finance 9.5% 2018	9,577	0.18	
\$2,000,000 BG Energy Capital 4% 2020	1,233	0.02	
£23,000,000 BG Energy Capital 5.125% 2025	24,859	0.47	
£2,805,511 BL Superstores Finance 5.27% 2030	2,991	0.06	
\$10,000,000 Centrica 4.0% 2023	5,878	0.11	
\$2,857,000 Centrica 5.375% 2043	1,717	0.03	
£4,000,000 Centrica 6.4% 2026	4,696	0.09	
£14,641,000 Centrica 7% 2018	17,364	0.33	
€2,500,000 Cloverie FRN 2039	2,484	0.05	
£2,000,000 Comcast 5.5% 2029	2,174	0.04	
\$1,000,000 Comcast 6.45% 2037	700	0.01	
\$3,000,000 Comcast 6.5% 2035	2,122	0.04	
\$7,500,000 DBS Bank Var. Rate 2022 (3.625%)	4,660	0.09	
£9,000,000 DNB Bank 4.25% 2020	9,484	0.18	
£9,418,000 DNB Bank FRN 2020	10,081	0.19	
£2,500,000 E.ON International Finance 6% 2019	2,873	0.05	

# M&G Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'A' credit rated bonds (continued)</b>			
€1,912,295 Eddystone Finance FRN 2021	1,553	0.03	
£50,000 Eddystone Finance FRN 2021	48	0.00	
£6,864,593 Eddystone Finance FRN 2021	6,693	0.13	
£7,400,000 EDF 5.5% 2037	8,083	0.15	
£26,600,000 EDF 5.5% 2041	29,301	0.56	
£35,000,000 Électricité de France 6.125% 2034	41,222	0.78	
£12,650,000 ELM Var. Rate Perp. (6.3024%)	13,725	0.26	
£9,100,000 Eni Finance International 4.75% 2021	9,357	0.18	
£5,000,000 Eni Finance International 6.125% 2018	5,712	0.11	
£1,000,000 Eurosail FRN 2045	935	0.02	
£18,500,000 Experian Finance 4.75% 2018	20,144	0.38	
€15,583,000 GDF Suez 5.95% 2111	16,171	0.31	
£4,500,000 GlaxoSmithKline Capital 3.375% 2027	4,078	0.08	
\$3,000,000 Goldman Sachs Group 3.625% 2023	1,738	0.03	
£11,118,000 Goldman Sachs Group 7.125% 2025	13,705	0.26	
£2,533,822 Granite Master Issuer 05-1 FRN 2054 'A6'	2,508	0.05	
£3,174,883 Granite Master Issuer 05-2 FRN 2054 'A7'	3,147	0.06	
£3,968,605 Granite Master Issuer 07-2 FRN 2054 '4A2'	3,927	0.07	
£3,000,000 Granite Master Issuer FRN 2054 05-1B3	2,867	0.05	
£4,850,000 Granite Master Issuer FRN 2054 05-1M3	4,559	0.09	
£2,000,000 Granite Master Issuer FRN 2054 05-2M3	1,888	0.04	
£1,500,000 Granite Master Issuer FRN 2054 05-4B3	1,432	0.03	
€2,500,000 Granite Master Issuer FRN 2054 05-4B4	1,999	0.04	
\$6,600,000 Granite Master Issuer FRN 2054 06-1AM2	3,752	0.07	
£2,375,000 Granite Master Issuer FRN 2054 06-1B3	2,267	0.04	
€1,000,000 Granite Master Issuer FRN 2054 06-1XB4	800	0.02	
£3,000,000 Granite Master Issuer FRN 2054 06-1XM3	2,825	0.05	
£850,000 Granite Master Issuer FRN 2054 06-2M4	797	0.02	
\$9,500,000 Granite Master Issuer FRN 2054 06-3B2	5,317	0.10	
\$9,000,000 Granite Master Issuer FRN 2054 06-3M2	4,922	0.09	
\$1,000,000 Granite Master Issuer FRN 2054 06-4B1	554	0.01	
\$4,596,000 Granite Master Issuer FRN 2054 07-11B1	2,646	0.05	
\$2,500,000 Granite Master Issuer FRN 2054 07-11M1	1,421	0.03	
\$1,250,000 Granite Master Issuer FRN 2054 07-12M1	710	0.01	
€4,006,000 Granite Master Issuer FRN 2054 07-13B1	3,199	0.06	
£2,300,000 Granite Master Issuer FRN 2054 07-13M2	2,162	0.04	
\$2,500,000 Granite Master Issuer FRN 2054 07-21M1	1,340	0.03	
€1,100,000 Granite Master Issuer FRN 2054 07-23B2	878	0.02	
£1,800,000 Granite Master Issuer FRN 2054 07-23M3	1,693	0.03	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'A' credit rated bonds (continued)</b>			
£1,900,000 Granite Master Issuer FRN 2054 'M3'	1,786	0.03	
£4,728,217 Granite Mortgages 03-2 Var. Rate 2043	4,695	0.09	
€320,008 Granite Mortgages FRN 2043 03-22M	260	0.00	
\$480,011 Granite Mortgages FRN 2044 03-21C	287	0.01	
€2,000,000 Granite Mortgages FRN 2044 04-012C	1,605	0.03	
€2,500,000 Granite Mortgages FRN 2044 04-12M	2,006	0.04	
£1,148,194 Granite Mortgages FRN 2044 04-13A	1,137	0.02	
£2,000,000 Granite Mortgages FRN 2044 04-23C	1,871	0.04	
£8,207,500 Granite Mortgages FRN 2044 04-3A2	8,146	0.15	
\$5,220,692 Great Hall Mortgages FRN 2039	2,952	0.06	
£2,570,610 Greene King Finance 5.318% 2031	2,763	0.05	
\$1,000,000 GTE Southwest 8.5% 2031	739	0.01	
€2,500,000 Hannover Finance Luxembourg Var. Rate 2024 (5.75%)	2,081	0.04	
€5,000,000 Hannover Finance Luxembourg Var. Rate 2040 (5.75%)	4,644	0.09	
€700,000 Hannover Finance Luxembourg Var. Rate 2043 (5%)	614	0.01	
£14,000,000 Heathrow Funding 6.75% 2026	17,136	0.32	
£4,000,000 Heathrow Funding IL 2041	6,218	0.12	
£6,500,000 Heathrow Funding Var. Rate 2018 (12.45%)	7,962	0.15	
£3,000,000 Heathrow Funding Var. Rate 2023 (9.2%)	4,014	0.08	
£8,000,000 Heathrow Funding Var. Rate 2025 (5.225%)	8,661	0.16	
£10,353,000 Heathrow Funding Var. Rate 2030 (7.075%)	12,933	0.25	
£850,000 HSBC Bank 5.375% 2033	875	0.02	
£1,607,000 HSBC Bank 6.5% 2023	1,825	0.03	
£23,000,000 HSBC Bank Var. Rate 2020 (4.75%)	23,750	0.45	
£12,500,000 HSBC Bank Var. Rate 2023 (5%)	13,122	0.25	
£19,000,000 HSBC Bank Var. Rate 2030 (5.375%)	19,328	0.37	
£7,000,000 HSBC Holdings 5.75% 2027	7,448	0.14	
£3,000,000 HSBC Holdings 6% 2040	3,284	0.06	
£12,000,000 HSBC Holdings 6.75% 2028	14,011	0.27	
£7,050,000 HSBC Holdings 7% 2038	8,647	0.16	
£31,500,000 HSBC Holdings Var. Rate 2022 (6.375%)	34,863	0.66	
£5,500,000 Hutchison Ports Finance 6.75% 2015	6,014	0.11	
£8,633,000 INTU Finance 4.625% 2028	8,508	0.16	
£35,357,000 JPMorgan Chase 3.5% 2026	32,601	0.62	
\$6,000,000 JPMorgan Chase 4.4% 2020	3,886	0.07	
£15,000,000 JPMorgan Chase 5.375% 2016	16,298	0.31	
\$10,000,000 JPMorgan Chase 5.625% 2043	6,367	0.12	
\$3,000,000 JPMorgan Chase 6.3% 2019	2,123	0.04	
£6,950,000 JPMorgan Chase Var. Rate 2017 (6.125%)	6,683	0.13	
€5,000,000 JPMorgan Chase Var. Rate 2019 (4.375%)	4,228	0.08	
€2,500,000 JPMorgan Chase Var. Rate 2021 (4.375%)	2,163	0.04	
£3,384,949 Juturna 5.0636% 2033	3,611	0.07	
£5,000,000 La Poste 5.625% 2016	5,531	0.10	
£2,000,000 Linde Finance Var. Rate 2066 (8.125%)	2,273	0.04	
£5,902,000 London Merchant Securities 6.5% 2026	6,662	0.13	
£6,000,000 London Stock Exchange 9.125% 2019	7,586	0.14	
£1,750,000 Longstone Finance 4.896% 2036	1,714	0.03	
£885,000 Marston's Issuer Var. Rate 2027 (5.1576%)	949	0.02	
£2,000,000 Marston's Issuer Var. Rate 2032 (5.177%)	2,031	0.04	
£11,500,000 McDonald's 6.375% 2020	13,617	0.26	
£4,662,560 Mitchells & Butlers Finance 5.574% 2030	5,163	0.10	

# M&G Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'A' credit rated bonds (continued)</b>			
£1,147,775 Mitchells & Butlers Finance 5.965% 2025	1,281	0.02	
£1,400,000 Mitchells & Butlers Finance 6.013% 2030	1,543	0.03	
£3,000,000 Mitchells & Butlers Finance FRN 2033	2,392	0.05	
€2,850,000 Morgan Stanley 5.375% 2020	2,767	0.05	
£2,470,000 Morgan Stanley 5.75% 2017	2,716	0.05	
€10,000,000 Morgan Stanley FRN 2016	8,239	0.16	
€1,000,000 Morgan Stanley FRN 2017	821	0.02	
£2,286,243 Mortgages No.7 FRN 2038 'A2'	2,184	0.04	
£15,720,000 Motability Operations Group 6.625% 2019	18,796	0.36	
£13,000,000 Munich Re Finance Var. Rate 2028 (7.625%)	15,242	0.29	
€4,000,000 Munich Re Finance Var. Rate 2041 (6%)	3,851	0.07	
£11,000,000 Munich Re Finance Var. Rate 2042 (6.625%)	12,423	0.24	
£3,500,000 National Grid Electricity Transmission 2.983% IL 2018	5,783	0.11	
£2,500,000 National Grid Electricity Transmission 3.806% IL 2020	4,295	0.08	
\$5,000,000 Nationwide Building Society 6.25% 2020	3,468	0.07	
£2,937,065 Newgate Funding FRN 2050	2,874	0.05	
£2,590,000 Northern Electric Finance 8.875% 2020	3,393	0.06	
£3,750,000 Northern Powergrid 4.375% 2032	3,636	0.07	
\$1,818,000 Oracle Corporation 2.375% 2019	1,097	0.02	
\$1,834,292 Paragon Mortgages No.7 FRN 2034 'A1A'	1,021	0.02	
£3,600,000 PepsiCo 2.5% 2022	3,321	0.06	
\$1,149,000 Philip Morris International 3.6% 2023	675	0.01	
£224,991 PICTS 5.218% 2039	197	0.00	
€4,000,000 Principal Financial Global Funding II 4.5% 2017	3,615	0.07	
£2,530,000 Province of Quebec 12.25% 2020	3,771	0.07	
£2,607,000 Rabobank Nederland 5.25% 2027	2,621	0.05	
€569,882 RMAC 2005-Nsp2 FRN 2037 'A2C'	444	0.01	
£1,178,577 RMAC 2006-Ns1 FRN 2044 'A2A'	1,088	0.02	
£1,605,000 Rolls-Royce 6.75% 2019	1,905	0.04	
£2,000,000 Royal Bank of Scotland 6.375% 2028	2,297	0.04	
£332,509 Sandwell Commercial Finance No.2 FRN 2037 'A'	325	0.01	
£3,550,000 Santander UK 6.5% 2015	3,790	0.07	
€5,000,000 Society of Lloyd's Var. Rate 2024 (5.625%)	4,249	0.08	
£9,000,000 Society of Lloyd's Var. Rate 2025 (6.875%)	9,623	0.18	
£13,177,000 Southern Water Services Finance 5% 2021	14,147	0.27	
£14,955,000 Southern Water Services Finance 6.125% 2019	17,043	0.32	
£145,000 SPI Electricity & Gas 7.125% 2018	170	0.00	
£3,500,000 SSE (formerly Scottish & Southern Energy) 5% 2018	3,872	0.07	
£1,500,000 SSE (formerly Scottish & Southern Energy) 8.375% 2028	2,100	0.04	
\$3,570,000 Standard Chartered 3.95% 2023	1,992	0.04	
€4,975,000 Standard Chartered 4% 2025	4,107	0.08	
\$3,000,000 Standard Chartered 5.7% 2022	1,907	0.04	
€4,000,000 Standard Chartered 5.875% 2017	3,754	0.07	
\$3,750,000 Standard Chartered 6.4% 2017	2,546	0.05	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'A' credit rated bonds (continued)</b>			
£9,500,000 Standard Chartered Bank 7.75% 2018	11,028	0.21	
\$2,500,000 Standard Chartered Var. Rate 2022 (4%)	1,531	0.03	
£1,000,000 Standard Chartered Var. Rate Perp. (8.103%)	1,099	0.02	
£2,690,000 Standard Life Var. Rate Perp. (6.546%)	2,931	0.06	
£5,500,000 Standard Life Var. Rate Perp. (6.75%)	6,033	0.11	
£3,000,000 Suncorp Group 5.125% 2014	3,090	0.06	
£2,500,000 Suncorp Insurance Funding Var. Rate 2027 (6.25%)	2,538	0.05	
\$1,100,000 Swiss Re Capital I Var. Rate Perp. (6.854%)	703	0.01	
£5,333,000 Thames Water Utilities Cayman 4.375% 2034	5,101	0.10	
£7,000,000 Thames Water Utilities Cayman 4.625% 2046	6,864	0.13	
£20,000,000 Thames Water Utilities Cayman 7.241% 2058	23,239	0.44	
£3,727,000 Thames Water Utilities Finance 3.375% IL 2021	6,301	0.12	
£3,590,000 Thames Water Utilities Finance 5.125% 2037	3,786	0.07	
£600,000 Thames Water Utilities Finance 6.5% 2032	731	0.01	
£14,800,000 Thames Water Utilities Finance 6.75% 2028	18,231	0.35	
£12,016,000 THFC Funding No.3 5.2% 2043	13,167	0.25	
£3,269,000 UNITE (USAF) II 3.374% 2023	3,076	0.06	
\$2,500,000 United Parcel Service 6.2% 2038	1,835	0.03	
\$2,450,000 Vodafone Group 2.5% 2022	1,316	0.02	
\$1,000,000 Vodafone Group 2.95% 2023	551	0.01	
\$10,000,000 Vodafone Group 4.375% 2043	5,245	0.10	
\$2,000,000 Vodafone Group 7.875% 2030	1,521	0.03	
£26,000,000 Vodafone Group 8.125% 2018	32,124	0.61	
£7,000,000 Wachovia 4.875% 2035	6,911	0.13	
£8,000,000 Wales & West Utilities 5% 2028	8,407	0.16	
£4,500,000 Wales & West Utilities 5.75% 2030	5,127	0.10	
£7,935,000 Wales & West Utilities Finance 6.25% 2021	8,286	0.16	
£287,000 Wales & West Utilities Finance 6.25% 2021	337	0.01	
£36,500,000 Wells Fargo 5.25% 2023	39,262	0.74	
£3,124,527 White City Property Finance 5.1202% 2035	3,283	0.06	
£10,000,000 Yorkshire Water Services 6% 2019	11,486	0.22	
£5,000,000 Yorkshire Water Services Finance 3.625% 2029	4,543	0.09	
£5,662,000 Yorkshire Water Services Odsal Finance 6.5876% 2023	6,751	0.13	
£6,420,000 Zurich Finance (UK) Var. Rate Perp. (6.625%)	7,113	0.13	
		<b>38.29</b>	<b>35.56</b>
<b>'BBB' credit rated bonds</b>			
£7,000,000 3i Group 5.75% 2032	7,068	0.13	
£1,400,000 3i Group 6.875% 2023	1,568	0.03	
£4,872,000 AA Bond Company 4.2487% 2043	4,781	0.09	
£3,150,000 AA Bond Company 4.7201% 2018	3,267	0.06	
£5,000,000 AA Bond Company 6.6269% 2025	5,363	0.10	
£6,800,000 Abbey National Var. Rate Perp. (7.037%)	6,851	0.13	
\$5,000,000 ABN AMRO Bank Var. Rate 2022 (6.25%)	3,287	0.06	
€2,755,000 Achmea FRN 2043	2,475	0.05	
£7,610,000 Ahold Finance 6.5% 2017	8,588	0.16	
£5,500,000 Akzo Nobel 8% 2016	6,231	0.12	
\$3,216,000 Altria Group 10.2% 2039	3,018	0.06	
\$6,891,000 Altria Group 4% 2024	4,070	0.08	

# M&G Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BBB' credit rated bonds (continued)</b>			
\$2,573,000 Altria Group 9.95% 2038	2,375	0.05	
£7,500,000 America Movil Var. Rate 2073 (6.375%)	7,763	0.15	
£5,000,000 Anglian Water Services 4.5% 2026	4,808	0.09	
£6,650,000 Anglian Water Services Var. Rate 2024 (6.75%)	6,783	0.13	
£419,000 Anglian Water Services Var. Rate 2040 (5.5%)	456	0.01	
£7,500,000 AP Moller-Maersk 4% 2025	7,129	0.14	
£4,100,000 APT Pipelines 4.25% 2024	4,008	0.08	
£3,201,000 Asciano Finance 5% 2023	3,213	0.06	
£3,500,000 Aspire Defence Finance 4.674% 2040 'A'	3,477	0.07	
£9,000,000 Aspire Defence Finance 4.674% 2040 'B'	8,942	0.17	
£5,000,000 Assicurazioni Generali Var. Rate Perp. (6.269%)	4,524	0.09	
£7,000,000 Assicurazioni Generali Var. Rate Perp. (6.416%)	6,526	0.12	
£400,000 Atlantia 6.25% 2022	441	0.01	
£18,000,000 Aviva Var. Rate 2036 (6.125%)	18,696	0.35	
€3,750,000 Aviva Var. Rate 2038 (6.875%)	3,547	0.07	
£10,584,000 Aviva Var. Rate 2041 (6.625%)	11,552	0.22	
£11,500,000 Aviva Var. Rate 2058 (6.875%)	12,713	0.24	
£19,350,000 Aviva Var. Rate Perp. (6.125%)	19,886	0.38	
€6,000,000 AXA Var. Rate 2040 (5.25%)	5,340	0.10	
£14,630,000 AXA Var. Rate Perp. (6.6862%)	14,981	0.28	
£5,378,000 AXA Var. Rate Perp. (6.772%)	5,701	0.11	
£13,250,000 BAE Systems 4.125% 2022	13,231	0.25	
€4,000,000 Bank of America Var. Rate 2017 (4.75%)	3,216	0.06	
€4,000,000 Bank of America Var. Rate 2018 (4%)	3,203	0.06	
£5,000,000 Bank of Scotland 6.375% 2019	5,442	0.10	
€653,621 Bankinter FRN 2048 (0.7760%)	401	0.01	
£7,750,000 Barclays Bank 10% 2021	10,004	0.19	
£3,250,000 Barclays Bank 5.75% 2026	3,392	0.06	
€5,000,000 Barclays Bank 6% 2021	4,714	0.09	
£6,650,000 Barclays Bank Var. Rate 2023 (6.75%)	7,236	0.14	
€9,500,000 Bayer Var. Rate 2105 (5%)	8,224	0.16	
€3,400,000 BBVA Senior Finance 3.75% 2018	3,005	0.06	
£9,500,000 BG Energy Capital Var. Rate 2072 (6.5%)	10,393	0.20	
€1,080,000 Bord Gais Eireann 3.625% 2017	955	0.02	
£10,000,000 Bouygues 5.5% 2026	10,577	0.20	
\$3,000,000 British Sky Broadcasting Group 6.1% 2018	2,069	0.04	
\$2,000,000 British Sky Broadcasting Group 9.5% 2018	1,579	0.03	
£6,264,000 British Telecommunications 3.5% IL 2025	11,198	0.21	
£3,000,000 British Telecommunications 8.625% 2020	3,836	0.07	
\$1,000,000 British Telecommunications 9.625% 2030	883	0.02	
£10,000,000 British Telecommunications Var. Rate 2016 (8.5%)	11,790	0.22	
£10,000,000 BSkyB Finance UK 5.75% 2017	11,202	0.21	
\$1,000,000 CBS 4.3% 2021	619	0.01	
\$7,000,000 CBS 7.875% 2030	5,225	0.10	
£2,000,000 CE Electric UK Funding 7.25% 2022	2,400	0.05	
£4,500,000 Channel Link Enterprises Finance FRN 2050	4,297	0.08	
£1,402,000 Citigroup 4.5% 2031	1,286	0.02	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BBB' credit rated bonds (continued)</b>			
£6,000,000 Citigroup 5.125% 2018	6,413	0.12	
\$4,985,000 Citigroup 5.5% 2025	3,168	0.06	
£8,500,000 Citigroup 5.875% 2024	9,112	0.17	
\$1,000,000 Citigroup 6.125% 2036	636	0.01	
\$1,600,000 Citigroup 6.675% 2043	1,113	0.02	
€2,000,000 Citigroup Var. Rate 2030 (4.25%)	1,635	0.03	
£12,000,000 CPUK Finance 7.239% 2042	14,280	0.27	
£7,000,000 Crédit Agricole 7.375% 2023	8,118	0.15	
€2,350,000 Credit Suisse Var. Rate 2023	2,560	0.05	
\$3,000,000 CVS Caremark 6.125% 2039	2,064	0.04	
£6,250,000 Delamare Finance 5.5457% 2029	6,727	0.13	
\$750,000 Deutsche Bank Var. Rate 2028 (4.296%)	410	0.01	
£9,000,000 Deutsche Telekom International Finance 6.5% 2022	10,550	0.20	
\$6,000,000 Deutsche Telekom International Finance 8.75% 2030	5,083	0.10	
£16,250,000 Deutsche Telekom International Finance 8.875% 2028	23,375	0.44	
\$8,000,000 DIRECTV Financing 6.35% 2040	4,998	0.09	
£3,500,000 EDF Var. Rate Perp. (6%)	3,627	0.07	
£4,000,000 Enel 5.75% 2037	3,739	0.07	
£5,000,000 Enel Finance International 5.625% 2024	5,118	0.10	
£10,500,000 Enel Finance International 5.75% 2040	9,799	0.19	
\$13,500,000 Enel Finance International 6% 2039	7,806	0.15	
\$5,000,000 Enel Finance International 6.25% 2017	3,371	0.06	
£132,000 ENW Capital Finance 6.125% 2021	152	0.00	
€5,000,000 Eutelsat 5% 2019	4,665	0.09	
£6,000,000 Eversholt Funding 5.831% 2020	6,754	0.13	
£13,113,000 Eversholt Funding 6.359% 2025	15,162	0.29	
£6,500,000 Eversholt Funding 6.697% 2035	7,712	0.15	
£8,000,000 Fidelity International 6.75% 2020	8,927	0.17	
£8,000,000 FirstGroup 6.875% 2024	8,982	0.17	
£10,000,000 FirstGroup 8.125% 2018	11,785	0.22	
£9,000,000 France Telecom 5.25% 2025	9,469	0.18	
\$2,500,000 France Telecom 5.375% 2042	1,514	0.03	
£3,500,000 France Telecom 5.375% 2050	3,682	0.07	
£2,500,000 France Telecom 5.625% 2034	2,692	0.05	
£12,000,000 France Telecom 7.25% 2020	14,519	0.28	
£17,000,000 France Telecom 8.125% 2028	22,618	0.43	
€1,508,000 France Telecom 8.125% 2033	1,859	0.04	
£5,000,000 Friends Life 8.25% 2022	5,437	0.10	
£12,000,000 G4S Var. Rate 2019 (7.75%)	14,062	0.27	
£17,250,000 Gatwick Funding 5.25% 2024	18,463	0.35	
£18,000,000 Gatwick Funding 6.125% 2028	20,623	0.39	
£10,000,000 GDF Suez Var. Rate Perp. (4.625%)	10,273	0.19	
£9,250,000 Go-Ahead Group 5.375% 2017	10,033	0.19	
£3,000,000 Goldman Sachs Group 5.5% 2021	3,185	0.06	
£6,650,000 Goldman Sachs Group 6.125% 2017	7,304	0.14	
\$5,000,000 Goldman Sachs Group 6.75% 2037	3,339	0.06	
£5,500,000 Goldman Sachs Group 6.875% 2038	6,526	0.12	
€3,900,000 Granite Master Issuer FRN 2054 05-1C2	3,064	0.06	
€5,700,000 Granite Master Issuer FRN 2054 05-2C2	4,431	0.08	
\$1,614,307 Granite Master Issuer FRN 2054 05-4C2	867	0.02	
£582,000 Granite Master Issuer FRN 2054 05-4C3	540	0.01	
€5,700,000 Granite Master Issuer FRN 2054 05-4C4	4,431	0.08	
\$5,750,000 Granite Master Issuer FRN 2054 06-1AC2	3,118	0.06	

# M&G Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BBB' credit rated bonds (continued)</b>			
\$5,000,000 Granite Master Issuer FRN 2054 06-1XC2	2,829	0.05	
£1,300,000 Granite Master Issuer FRN 2054 06-1XC3	1,212	0.02	
€2,000,000 Granite Master Issuer FRN 2054 06-1XC4	1,571	0.03	
\$2,000,000 Granite Master Issuer FRN 2054 06-2C1	1,057	0.02	
£364,000 Granite Master Issuer FRN 2054 06-2C3	337	0.01	
\$5,000,000 Granite Master Issuer FRN 2054 06-3C2	2,659	0.05	
€1,500,000 Granite Master Issuer FRN 2054 06-3C3	1,160	0.02	
\$5,000,000 Granite Master Issuer FRN 2054 07-11C1	2,554	0.05	
\$2,500,000 Granite Master Issuer FRN 2054 07-12C1	1,311	0.02	
€1,000,000 Granite Master Issuer FRN 2054 07-12C2	772	0.01	
€23,227,000 Granite Master Issuer FRN 2054 07-13C1	17,959	0.34	
£3,300,000 Granite Master Issuer FRN 2054 07-13C2	3,054	0.06	
€1,000,000 Granite Master Issuer FRN 2054 07-2 2C2	771	0.01	
\$3,500,000 Granite Master Issuer FRN 2054 07-22C1	1,836	0.03	
€7,500,000 Granite Master Issuer FRN 2054 07-23C2	5,815	0.11	
€6,000,000 Granite Master Issuer FRN 2054 07-23C3	5,545	0.11	
£1,500,000 Granite Master Issuer FRN 2054 'C3'	1,391	0.03	
£5,000,000 Great Rolling Stock 6.25% 2020	5,717	0.11	
£2,198,000 Health Care 4.8% 2028	2,137	0.04	
£9,981,000 Heathrow Funding 6% 2020	10,986	0.21	
£14,000,000 Heathrow Funding 7.125% 2024	16,450	0.31	
€14,000,000 Henkel Var. Rate 2104 (5.375%)	12,385	0.23	
£2,083,000 HSBC Capital Funding Var. Rate Perp. (8.208%)	2,239	0.04	
\$3,000,000 Hutchison Whampoa International 6% Perp. (6%)	1,924	0.04	
£5,500,000 Iberdrola Finanzas 6% 2022	5,986	0.11	
£5,000,000 Iberdrola Finanzas 7.375% 2024	5,882	0.11	
£6,000,000 Imperial Tobacco Finance 5.5% 2026	6,466	0.12	
£2,500,000 Imperial Tobacco Finance 6.25% 2018	2,858	0.05	
£7,100,000 Imperial Tobacco Finance 7.75% 2019	8,574	0.16	
£23,000,000 Imperial Tobacco Finance 8.125% 2024	29,589	0.56	
£37,000,000 Imperial Tobacco Finance 9% 2022	48,953	0.94	
€4,000,000 ING Bank Var. Rate 2023 (6.125%)	3,701	0.07	
£10,500,000 ING Bank Var. Rate 2023 (6.875%)	11,501	0.22	
£15,500,000 InterContinental Hotels 6% 2016	17,188	0.33	
\$10,500,000 Intesa Sanpaolo 3.875% 2018	6,447	0.12	
€1,229,000 Intesa Sanpaolo 4% 2017	1,081	0.02	
\$3,000,000 Intesa Sanpaolo 6.5% 2021	1,975	0.04	
£8,431,000 INTU Finance 4.125% 2023	8,213	0.16	
\$2,000,000 JPMorgan Chase Var. Rate Perp. (7.9%)	1,333	0.03	
€4,000,000 Kabel Deutschland 6.5% 2018	3,516	0.07	
\$1,000,000 Kerr-McGee 6.95% 2024	700	0.01	
\$840,000 Kinder Morgan Energy Partners 2.65% 2019	503	0.01	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BBB' credit rated bonds (continued)</b>			
\$4,800,000 Kinder Morgan Energy Partners 4.15% 2024	2,805	0.05	
\$6,000,000 Kinder Morgan Energy Partners 6.95% 2038	4,184	0.08	
£15,000,000 KPN 5% 2026	15,066	0.29	
£10,750,000 KPN 5.75% 2029	11,424	0.22	
\$4,000,000 KPN 8.375% 2030	3,080	0.06	
\$7,000,000 Kraft Foods Group 3.5% 2022	4,146	0.08	
\$5,000,000 Kraft Foods Group 6.875% 2039	3,702	0.07	
£500,000 LBG Capital No.2 10.5% 2023	561	0.01	
£600,000 LBG Capital No.2 11.25% 2023	686	0.01	
£2,000,000 LBG Capital No.2 15% 2019 '18'	2,882	0.05	
£1,265,000 LBG Capital No.2 15% 2029	2,035	0.04	
£1,750,000 LBG Capital No.2 7.625% 2019	1,840	0.03	
£870,000 LBG Capital No.2 9% 2019	932	0.02	
£1,000,000 LBG Capital No.2 9% 2029	1,080	0.02	
£1,000,000 LBG Capital No.2 9.334% 2020	1,082	0.02	
£1,000,000 LBG Capital No.2 9.875% 2023	1,090	0.02	
£21,000,000 Legal & General Group 10% IL 2041	27,962	0.53	
£12,500,000 Lend Lease Europe 6.125% 2021	12,875	0.24	
€3,000,000 Leo-Mesdag FRN 2019	2,362	0.04	
£5,000,000 Liverpool Victoria Friendly Society Var. Rate 2043 (6.5%)	4,712	0.09	
£1,596,000 Lloyds Bank (formerly Lloyds TSB Bank) 6.625% 2015	1,676	0.03	
£10,000,000 Lloyds Bank (formerly Lloyds TSB Bank) 7.625% 2025	11,721	0.22	
£5,500,000 Lloyds Bank (formerly Lloyds TSB Bank) 9.625% 2023	7,052	0.13	
£7,500,000 Lloyds Bank (formerly Lloyds TSB Bank) Var. Rate 2020 (6.9625%)	7,826	0.15	
£2,000,000 Lloyds Bank (formerly Lloyds TSB Bank) Var. Rate 2021 (10.75%)	2,391	0.05	
£15,532,000 Lloyds Bank (formerly Lloyds TSB Bank) Var. Rate 2025 (5.75%)	15,883	0.30	
£5,297,000 London Power Networks 5.125% 2016	5,809	0.11	
\$3,000,000 Lorillard Tobacco 6.875% 2020	2,092	0.04	
£3,088,000 Marks & Spencer 4.75% 2025	3,038	0.06	
£3,800,000 Marks & Spencer 6.125% 2019	4,211	0.08	
£21,000,000 Marks & Spencer 6.125% 2021	23,044	0.44	
\$10,000,000 Marks & Spencer 7.125% 2037	6,283	0.12	
£1,000,000 Merrill Lynch 5.5% 2021	1,074	0.02	
£25,407,000 Mondelex International (formerly Kraft Foods) 7.25% 2018	30,320	0.57	
€6,665,000 Mondi Finance 3.375% 2020	5,637	0.11	
€7,000,000 Mondi Finance 5.75% 2017	6,546	0.12	
\$1,000,000 Morgan Stanley 4.875% 2022	616	0.01	
£1,000,000 MUFG Capital Finance Var. Rate Perp. (6.299%)	1,076	0.02	
\$1,149,000 Mylan 4.2% 2023	683	0.01	
£2,110,000 National Westminster Bank 6.5% 2021	2,267	0.04	
€5,000,000 Nationwide Building Society 6.75% 2020	4,892	0.09	
£3,333,000 NEXT 4.375% 2026	3,273	0.06	
£2,000,000 NEXT 5.375% 2021	2,189	0.04	
£17,500,000 NEXT 5.875% 2016	19,328	0.37	
£7,000,000 NGG Finance Var. Rate 2073 (5.625%)	7,061	0.13	
£7,000,000 NIE Finance 6.375% 2026	8,024	0.15	
€5,500,000 Norderia Holdings 9.75% 2017	4,948	0.09	
£11,000,000 Northern Gas Networks 5.875% 2019	12,448	0.24	
£10,806,000 Northumbrian Water 6% 2017	12,270	0.23	
£9,610,000 Northumbrian Water 6.875% 2023	11,627	0.22	
\$17,500,000 Orange 8.5% 2042	14,519	0.28	
\$14,000,000 Pearson Funding Four 3.75% 2022	8,011	0.15	
\$500,000 Pernod-Ricard 4.25% 2022	301	0.01	
\$498,000 Pernod-Ricard 4.45% 2022	305	0.01	

# M&G Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BBB' credit rated bonds (continued)</b>			
\$100,000 Pernod-Ricard 5.5% 2042	62	0.00	
\$1,550,000 Pernod-Ricard 5.75% 2021	1,035	0.02	
£3,175,000 PostNL 7.5% 2018	3,710	0.07	
£12,500,000 Reed Elsevier Investments 5.625% 2016	13,712	0.26	
£5,450,000 Reed Elsevier Investments 7% 2017	6,382	0.12	
£9,000,000 Rentokil Initial 5.75% 2016	9,664	0.18	
\$500,000 Rhodia 6.875% 2020	335	0.01	
£4,600,000 RL Finance Bonds 6.125% 2043	4,555	0.09	
£2,816,353 RMPA Services 5.337% 2038	3,008	0.06	
£1,000,000 Royal Bank of Scotland 6.934% 2018	944	0.02	
£11,850,000 RSA Insurance Var. Rate 2039 (9.375%)	13,933	0.26	
£8,500,000 RWE Finance 5.625% 2023	9,328	0.18	
£1,500,000 RWE Finance 6.125% 2039	1,718	0.03	
£7,000,000 Santander International 3.16% 2015	7,108	0.13	
£1,500,000 Santander UK Var. Rate 2023 (9.625%)	1,772	0.03	
£1,000,000 Scottish Widows 5.5% 2023	1,004	0.02	
£1,000,000 Severn Trent 1.3% IL 2022	1,083	0.02	
£5,218,000 Severn Trent Utilities Finance 3.625% 2026	4,895	0.09	
£5,450,000 Severn Trent Utilities Finance 6% 2018	6,148	0.12	
£1,250,000 Severn Trent Utilities Finance 6.125% 2024	1,455	0.03	
£9,000,000 Severn Trent Utilities Finance 6.25% 2029	10,729	0.20	
£15,000,000 Siemens Financier. Var. Rate 2066 (6.125%)	16,237	0.31	
\$5,046,000 Smiths Group 6.05% 2014	3,103	0.06	
£5,000,000 Smiths Group 7.25% 2016	5,559	0.11	
€2,000,000 Snam 5% 2019	1,889	0.04	
£8,625,000 Société Générale Var. Rate Perp. (8.875%)	9,503	0.18	
£1,250,000 South East Water Finance 2.5329% IL 2041	1,712	0.03	
£3,000,000 South East Water Finance 5.6577% 2019	3,292	0.06	
£6,176,000 South Eastern Power Network 5.5% 2026	6,770	0.13	
£8,100,000 South Eastern Power Networks Var. Rate 2031 (6.375%)	9,758	0.18	
£189,000 Southern Gas Network 4.875% 2020	205	0.00	
£17,390,000 Southern Gas Network 5.125% 2018	19,155	0.36	
£6,100,000 Southern Gas Network FRN 2015	6,060	0.11	
£6,995,000 Southern Gas Networks 4.875% 2023	7,434	0.14	
£2,200,000 Southern Water Services Finance Var. Rate 2038 (4.5%)	2,165	0.04	
£9,000,000 Spain (Kingdom of) 5.25% 2029	8,510	0.16	
£3,500,000 SSE Var. Rate Perp. (5.453%)	3,623	0.07	
\$2,900,000 SSE Var. Rate Perp. (5.625%)	1,848	0.04	
£18,000,000 Stagecoach 5.75% 2016	19,715	0.37	
£4,722,000 Standard Life Funding Var. Rate Perp. (6.14%)	4,741	0.09	
£10,054,000 Talisman Energy 6.625% 2017	11,333	0.21	
£12,000,000 Tate & Lyle International Finance 6.75% 2019	13,947	0.26	
£16,100,000 Telefónica Emisiones 5.289% 2022	16,646	0.32	
£3,500,000 Telefónica Emisiones 5.375% 2018	3,760	0.07	
£3,000,000 Telefónica Emisiones 5.375% 2026	3,018	0.06	
£5,500,000 Telefónica Emisiones 5.445% 2029	5,451	0.10	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BBB' credit rated bonds (continued)</b>			
£12,500,000 Telefónica Emisiones 5.597% 2020	13,346	0.25	
\$1,000,000 Telefónica Europe 8.25% 2030	724	0.01	
£365,024 Telereal Securitisation 6.1645% 2033 'B4'	415	0.01	
£2,500,000 Tesco 5.2% 2057	2,477	0.05	
£5,000,000 Tesco 6.125% 2022	5,665	0.11	
£36,156,935 Tesco Property Finance 3 5.744% 2040	38,846	0.74	
£13,397,520 Tesco Property Finance 4 5.8006% 2040	14,347	0.27	
£19,884,351 Tesco Property Finance 5 5.6611% 2041	20,939	0.40	
£8,000,000 Thames Water Utilities Cayman 5.375% 2025	8,616	0.16	
£6,500,000 Thames Water Utilities Cayman Var. Rate 2030 (5.75%)	7,031	0.13	
\$1,500,000 Time Warner 6.5% 2036	1,013	0.02	
\$2,000,000 Time Warner 7.625% 2031	1,522	0.03	
\$3,000,000 Time Warner 7.7% 2032	2,319	0.04	
\$23,500,000 Time Warner Cable 5.25% 2042	18,710	0.35	
\$500,000 Time Warner Cable 5.75% 2031	441	0.01	
\$9,750,000 Time Warner Cable 5.875% 2040	5,080	0.10	
\$5,000,000 Time Warner Cable 7.3% 2038	3,023	0.06	
\$2,000,000 Time Warner Entertainment 8.375% 2033	1,323	0.03	
£7,880,000 UBS Jersey Var. Rate 2024 (6.375%)	8,960	0.17	
\$1,950,000 UBS Stamford 7% 2015	1,302	0.02	
\$4,000,000 United Business Media 5.75% 2020	2,514	0.05	
\$9,500,000 United Business Media 6.5% 2016	10,529	0.20	
£3,000,000 United Utilities Water 5.625% 2027	3,347	0.06	
£2,550,000 United Utilities Water 5.75% 2022	2,898	0.05	
£4,257,000 United Utilities Water 6.125% 2015	4,633	0.09	
£3,813,000 Vector Group 7.625% 2019	4,287	0.08	
\$1,000,000 Verizon Communications 2.45% 2022	534	0.01	
\$3,000,000 Verizon Communications 3.5% 2021	1,797	0.03	
\$9,000,000 Verizon Communications 6% 2041	5,888	0.11	
\$2,500,000 Verizon Communications 6.4% 2038	1,706	0.03	
\$15,000,000 Verizon Communications 6.55% 2043	10,637	0.20	
\$3,000,000 Verizon Communications 6.9% 2038	2,157	0.04	
\$2,000,000 Verizon Communications 7.35% 2039	1,509	0.03	
\$9,000,000 Verizon Communications 7.75% 2030	6,964	0.13	
\$3,600,000 Verizon Communications 8.75% 2018	2,788	0.05	
\$52,000,000 Verizon Global Funding 5.15% 2023	33,826	0.64	
\$3,500,000 Verizon Global Funding 5.85% 2035	2,246	0.04	
\$1,000,000 Verizon Maryland 5.125% 2033	576	0.01	
\$6,000,000 Verizon New Jersey 7.85% 2029	4,206	0.08	
\$2,000,000 Verizon New York 7.375% 2032	1,371	0.03	
\$5,000,000 Verizon Pennsylvania 8.35% 2030	3,610	0.07	
£7,742,000 Verizon Wireless Capital 8.875% 2018	9,860	0.19	
€4,231,000 Volkswagen International Finance Var. Rate Perp. (5.125%)	3,788	0.07	
£1,000,000 Wales & West Utilities Finance Var. Rate 2036 (6.75%)	1,144	0.02	
£5,000,000 Western Power Distribution 3.875% 2024	4,844	0.09	
£10,000,000 Western Power Distribution 5.25% 2023	10,840	0.21	
£24,000,000 Western Power Distribution 5.5% 2025	27,411	0.52	
£7,000,000 Western Power Distribution 5.75% 2040	8,043	0.15	
£9,000,000 WPP Finance 6.375% 2020	10,514	0.20	
£29,750,000 WPP Group 6% 2017	33,041	0.63	
£3,426,000 Yorkshire Power Finance 7.25% 2028	4,187	0.08	
£14,000,000 Yorkshire Water Services Var. Rate 2025 (6%)	15,318	0.29	



# M&G Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BB' credit rated bonds</b>		<b>3.50</b>	<b>3.77</b>
€3,500,000 Commerzbank 6.375% 2019	3,226	0.06	
£3,590,000 Commerzbank 6.625% 2019	3,741	0.07	
£349,765 Coventry & Rugby Hospital 3.246% 2040	518	0.01	
€3,250,000 Crown European Holdings 7.125% 2018	2,881	0.05	
£3,220,000 Daily Mail & General Trust 10% 2021	4,163	0.08	
£5,000,000 Daily Mail & General Trust 5.75% 2018	5,402	0.10	
£5,500,000 Daily Mail & General Trust 6.375% 2027	5,795	0.11	
\$2,900,000 Dufry Finance 5.5% 2020	1,799	0.03	
£2,306,000 EDP Finance 6.625% 2017	2,513	0.05	
£2,500,000 EDP Finance 8.625% 2024	2,938	0.06	
£2,000,000 Enterprise Inns 6.375% 2031	1,757	0.03	
£5,000,000 Enterprise Inns 6.875% 2025	4,833	0.09	
£5,000,000 F&C Finance 9% 2016	5,519	0.10	
\$500,000 Fresenius Medical Care 6.875% 2017	344	0.01	
\$2,000,000 Fresenius US Finance 9% 2015	1,337	0.03	
£4,000,000 GKN Holdings 5.375% 2022	4,155	0.08	
£5,500,000 GKN Holdings 6.75% 2019	6,218	0.12	
£3,010,000 Grainger 5% 2020	3,051	0.06	
£5,000,000 H.J.Heinz Finance 6.25% 2030	4,914	0.09	
\$3,520,000 HCA 7.25% 2020	2,311	0.04	
£500,000 Ladbrokes Group Finance 7.625% 2017	560	0.01	
£11,500,000 Lafarge 10% 2017	13,596	0.26	
£2,500,000 LBG Capital No.1 7.5884% 2020	2,643	0.05	
€1,000,000 OI European Group 6.75% 2020	967	0.02	
€1,350,000 Piaggio 7% 2016	1,192	0.02	
£2,000,619 Portugal (Republic of) 9% 2016	2,143	0.04	
£6,000,000 Portugal (Republic of) 9% 2016	6,428	0.12	
\$3,300,000 Royal Bank of Scotland 6% 2023	2,005	0.04	
\$7,059,000 Royal Bank of Scotland 6.1% 2023	4,335	0.08	
\$6,000,000 Royal Bank of Scotland 6.125% 2022	3,704	0.07	
€4,571,000 Smurfit Kappa Acquisitions 7.75% 2019	4,154	0.08	
\$1,500,000 Sprint Capital 6.9% 2019	989	0.02	
\$1,667,000 Stora Enso 6.404% 2016	1,081	0.02	
CHF3,000,000 Sunrise Communications International 7% 2017	2,147	0.04	
€3,500,000 Sunrise Communications International 7% 2017	3,077	0.06	
€1,100,000 Telecom Italia 5.25% 2055	727	0.01	
£3,400,000 Telefónica (Europe) Var. Rate Perp. (6.75%)	3,459	0.07	
€2,000,000 Unitymedia Hessen 6.25% 2029	1,637	0.03	
€3,961,000 Unitymedia Hessen 7.5% 2019	3,584	0.07	
\$3,000,000 Unitymedia Hessen 7.5% 2019	1,974	0.04	
€2,052,000 UPCB Finance 7.625% 2020	1,847	0.04	
€2,000,000 UPCB Finance II 6.375% 2020	1,777	0.03	
£6,500,000 UPM-Kymmene 6.625% 2017	7,052	0.13	
£2,700,000 Veolia Environnement Var. Rate Perp. (4.45%)	2,643	0.05	
£10,600,000 Virgin Media Secured Finance 5.5% 2021	10,619	0.20	
£32,000,000 Virgin Media Secured Finance 7% 2018	33,150	0.63	
<b>'B' credit rated bonds</b>		<b>0.35</b>	<b>0.56</b>
\$4,000,000 Abengoa 8.875% 2017	2,599	0.05	
€1,000,000 Abengoa 9.625% 2015	892	0.02	
CHF1,000,000 Aguilas 3 7.875% 2018	710	0.01	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'B' credit rated bonds (continued)</b>			
\$1,087,000 Aguilas 3 7.875% 2018 '144A'	689	0.01	
€1,125,000 Ardagh Packaging Finance 7.375% 2017	1,003	0.02	
€2,000,000 Bank of Ireland 10% 2022	1,999	0.04	
\$2,755,000 Barclays Bank Var. Rate Perp. (8.25%)	1,720	0.03	
£2,236,000 Eili Finance UK 8.75% 2019	2,468	0.05	
€2,803,000 Inaer Aviation Finance 9.5% 2017	2,458	0.05	
€1,095,000 Iron Mountain 6.75% 2018	920	0.02	
\$750,000 Iron Mountain 7.75% 2019	505	0.01	
£150,183 Road Management Consolidated 9.18% 2021	153	0.00	
€1,430,000 Techem 6.125% 2019	1,294	0.02	
£668,000 Virgin Media Finance 8.875% 2019	725	0.01	
£673,000 Vougeot Bidco 7.875% 2020	719	0.01	
<b>'CCC' credit rated bonds</b>		<b>0.06</b>	<b>0.07</b>
€1,000,000 Ardagh Glass Finance 7.125% 2017	856	0.02	
€2,000,000 Ardagh Glass Finance 8.75% 2020	1,768	0.03	
€500,000 Beverage Packaging Holdings 9.5% 2017	431	0.01	
<b>Bonds with no credit rating</b>		<b>10.28</b>	<b>4.60</b>
£8,093,236 Alba FRN 2042	8,286	0.16	
\$11,750,000 American Tower Trust I 3.07% 2048	6,653	0.13	
£3,500,000 AmicusHorizon Finance 5.25% 2043	3,672	0.07	
£4,680,000 Annington Repackaging No.1 5.3236% 2023 'A'	5,054	0.10	
\$2,140,000 Aquarius & Investments 8.25% IL Perp.	1,410	0.03	
£14,085,000 Arran Residential Mtg Fund 1 FRN 2047	14,328	0.27	
£5,000,000 BAE Systems 10.75% 2014	5,403	0.10	
€1,750,000 Bank of Ireland 10% 2016	1,553	0.03	
€6,500,000 Barclays Bank 9.5% 2021	8,181	0.16	
€3,789,975 Berica PMI FRN 2057	3,191	0.06	
£700,000 Birmingham Airport Finance 6.25% 2021	745	0.01	
£345,000 BLD Property Holdings 6.125% 2014	350	0.01	
£7,500,000 Brit Insurance FRN 2030	7,115	0.13	
£902,000 British Land 5.264% 2035	876	0.02	
£1,308,000 British Land 5.264% 2035 '2'	1,230	0.02	
£4,353,324 British Land 5.357% 2028	4,369	0.08	
£5,695,000 British Land 5.357% 2028 (Bearer)	5,741	0.11	
£932,000 British Land 6.75% 2020 (Bearer)	1,060	0.02	
£15,000,000 Brixton 6% 2019	16,974	0.32	
€6,000,000 BUPA Finance 7.5% 2016	6,803	0.13	
£213,268 Capital Shopping Centres 5.562% 2027	210	0.00	
£5,000,000 Carlsberg Breweries 7.25% 2016	5,713	0.11	
£350,000 Cheltenham & Gloucester 11.75% Perp.	495	0.01	
£3,000,000 Circle Anglia Social Housing 7.25% 2038	4,230	0.08	
£4,000,000 Close Brothers Group 6.5% 2017	4,316	0.08	
£1,000,000 Coventry Building Society 6% 2019	1,144	0.02	
\$2,500,000 Credit Suisse Guernsey Var. Rate 2041 (7.875%)	1,649	0.03	
€1,800,000 Davide Campari-Milano 4.5% 2019	1,586	0.03	
£8,920,000 Delamare Finance 6.067% 2029	9,475	0.18	
£3,277,647 Fintrust Debenture 9.25% 2023	4,193	0.08	
£2,000,000 First Hydro Finance 9% 2021	2,618	0.05	
£3,000,000 Foreign & Colonial Investment Trust 11.25% 2014	3,229	0.06	
£10,000,000 GESB 8.35% 2018	11,793	0.22	
£2,332,908 Gosforth Funding FRN 2049 A1	2,334	0.04	
£3,744,000 Gosforth Funding FRN 2049 A2	3,755	0.07	
£4,000,000 Grand Union 4.625% 2043	3,941	0.07	
£34,120 Great Portland Estates 5.625% 2029	34	0.00	
£1,998,000 Greater Gabbard Ofo 4.137% 2032	1,956	0.04	
£7,800,000 Grosvenor UK Finance 6.5% 2026	8,955	0.17	

# M&G Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Bonds with no credit rating (continued)</b>			
£721,000 Guardian Royal Exchange 6.625% 2023	827	0.02	
£12,000,000 Hammerson 6% 2026	13,673	0.26	
£6,000,000 Hammerson 7.25% 2028	7,581	0.14	
£3,000,000 Heathrow Finance (formerly BAA (SH)) 7.125% 2017	3,310	0.06	
£4,861,736 Highbury Finance 7.017% 2023	5,683	0.11	
£8,500,000 Housing Finance 11.5% 2016	10,532	0.20	
£2,192,000 Housing Finance 5% 2027	2,218	0.04	
£4,582,000 Housing Finance 8.625% 2023	6,197	0.12	
£8,271,321 Housing Securities 8.375% 2019	10,020	0.19	
£12,000,000 Italy (Republic of) 6% 2028	12,379	0.23	
£5,800,000 John Lewis 6.125% 2025	6,543	0.12	
£23,000,000 John Lewis 8.375% 2019	28,324	0.54	
£3,000,000 LAB Investments 7.125% 2019	3,470	0.07	
£553,000 Land Securities Capital Markets 5.391% 2027	622	0.01	
£3,000,000 Libra Longhurst Group Treasury 5.125% 2038	3,159	0.06	
£33,500,000 Lloyds Bank (formerly Lloyds TSB Bank) 5.125% 2025	37,043	0.70	
£17,000,000 Lloyds Bank (formerly Lloyds TSB Bank) 7.5% 2024	21,439	0.41	
£6,000,000 Lloyds Bank (formerly Lloyds TSB Bank) FRN 2016	5,828	0.11	
£3,478,000 Midland Heart Capital 5.087% 2044	3,742	0.07	
£7,477,000 Moat Homes Finance 5% 2041	7,680	0.15	
£17,500,000 National Express 6.25% 2017	19,161	0.36	
£3,000,000 National Express 6.625% 2020	3,413	0.06	
£2,400,000 Nationwide Building Society 8.625% 2018	2,747	0.05	
£11,500,000 Old Mutual 8% 2021	12,241	0.23	
£9,300,000 Peel South East 10% 2026	11,782	0.22	
£5,000,000 Pennon Group Var. Rate Perp. (6.75%)	5,273	0.10	
£10,000,000 Phoenix Natural Gas Finance 5.5% 2017	10,907	0.21	
£9,598,000 Places for People 5.875% 2031	10,566	0.20	
£1,000,000 QED Finance 6.5% 2020	1,063	0.02	
£514,178 Road Management Services 3.642% 2028	638	0.01	
£282,000 Safeway 6.125% 2018	321	0.01	
£5,000,000 Sandown Gold FRN 2039	5,108	0.10	
£1,000,000 Segro 5.25% 2015	1,057	0.02	
£16,450,000 Segro 5.625% 2020	18,325	0.35	
£14,000,000 Segro 6.75% 2021	16,553	0.31	
£4,957,000 Segro 6.75% 2024	5,887	0.11	
£1,500,000 Segro 7% 2022	1,797	0.03	
£4,750,000 South West Water Finance 5.875% 2040	5,119	0.10	
£18,200,000 Suez Environment 5.375% 2030	19,894	0.38	
£2,236,616 Summit Finance (Law) 6.484% 2028	2,385	0.05	
£700,000 Tesco 4% IL 2016	1,161	0.02	
£450,000 THFC Social Housing 8.75% 2021	508	0.01	
£1,970,075 THRONES Mortgages FRN 2044 'A'	1,986	0.04	
£250,000 Washington Mutual Bank <sup>[a]</sup> 5.5% 2019	0	0.00	
£15,000,000 WM Morrison Supermarkets 3.5% 2026	13,373	0.25	
£6,679,000 WM Morrison Supermarkets 4.625% 2023	6,781	0.13	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Credit default swaps</b>			
\$(15,000,000) CDX North American High Yield Series 21 Dec 2018	772	0.01	
\$(10,000,000) General Electric Capital Sep 2016	103	0.00	
€(5,000,000) Heathrow Funding Jun 2018	72	0.00	
€10,000,000 Imperial Tobacco Group Jun 2018	(165)	0.00	
€(10,000,000) iTraxx Europe Sub Fin Series 19 5 Year Jun 2018	1,378	0.03	
€(15,000,000) iTraxx Europe Sub Fin Series 20 5 Year Dec 2018	178	0.00	
€(10,000,000) Royal Bank of Scotland Jun 2018	1,238	0.02	
<b>Forward currency contracts</b>			
€16,323,750 Bought for £13,652,949 (expires 08.01.14)	(54)	0.00	
€(148,524,347) Sold for £124,787,678 (expires 08.01.14)	1,052	0.02	
€(149,088,613) Sold for £126,320,807 (expires 12.02.14)	2,087	0.04	
€(53,279,273) Sold for £44,492,775 (expires 12.03.14)	86	0.00	
CHF(4,280,858) Sold for £2,938,341 (expires 12.02.14)	30	0.00	
\$20,824,637 Bought for £12,662,576 (expires 08.01.14)	(61)	0.00	
\$(308,581,501) Sold for £192,108,995 (expires 08.01.14)	5,372	0.10	
\$(138,540,029) Sold for £85,953,073 (expires 12.02.14)	2,096	0.04	
\$(565,638,811) Sold for £349,452,892 (expires 12.03.14)	7,006	0.13	
<b>Interest rate futures contracts</b>			
(6,415) 10 Year US Treasury Note Mar 2014	9,948	0.19	
(200) Euro Bobl Mar 2014	238	0.00	
(600) Euro Bund Mar 2014	1,239	0.02	
6,370 UK Long Gilt Mar 2014	(14,062)	(0.27)	
(1,025) US Treasury Note Mar 2014	1,399	0.03	
<b>'AAA' rated money market funds <sup>[b]</sup></b>			
24,311,000 Northern Trust Global Fund - Sterling	24,311	0.46	
<b>Portfolio of investments</b>	<b>5,190,784</b>	<b>98.37</b>	<b>99.52</b>
<b>Net other assets</b>	<b>85,839</b>	<b>1.63</b>	<b>0.48</b>
<b>Net assets attributable to shareholders</b>	<b>5,276,623</b>	<b>100.00</b>	<b>100.00</b>

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

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

### COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure			Total as at 31.12.13 £'000
	Credit default swaps £'000	Forward currency contracts £'000	Futures £'000	
Barclays Bank	0	3,133	0	3,133
BNP Paribas	0	1,602	0	1,602
Credit Suisse	2782	114	0	2,896
Deutsche Bank	0	2,375	0	2,375
Goldman Sachs	794	0	0	794
HSBC Bank	0	4,055	0	4,055
J.P.Morgan	0	797	0	797
National Australia Bank	0	991	0	991
Royal Bank of Scotland	0	133	(1,238)	(1,105)
UBS	0	4,414	0	4,414
<b>Total</b>	<b>3,576</b>	<b>17,614</b>	<b>(1,238)</b>	<b>19,952</b>

# M&G Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO TRANSACTIONS

for the six months ended 31 December 2013

Largest purchases	£'000
UK Long Gilt Bond Mar 2014 <sup>[a]</sup>	690,706
UK Long Gilt Bond Dec 2013 <sup>[a]</sup>	545,111
10 Year US Treasury Note Dec 2013 <sup>[a]</sup>	511,648
10 Year US Treasury Note Sep 2013 <sup>[a]</sup>	473,686
UK Long Gilt Bond Sep 2013 <sup>[a]</sup>	249,206
Treasury 5% 2025 (£)	211,028
US Long Bond Dec 2103 <sup>[a]</sup>	84,107
German Euro Bond Sep 2013 <sup>[a]</sup>	73,516
Euro Bond Dec 2013 <sup>[a]</sup>	70,143
Ultra Long US Treasury Bond Sep 2013 <sup>[a]</sup>	46,056
Ultra Long US Treasury Bond Dec 2013 <sup>[a]</sup>	40,585
Ultra Long US Treasury Bond Mar 2014 <sup>[a]</sup>	31,969
Treasury 6% 2028 (£)	22,702
5 Year US Treasury Note Sep 2013 <sup>[a]</sup>	22,394
German Euro BOBL Sep 2013 <sup>[a]</sup>	21,486
Verizon Global Funding 5.15% 2023 (\$)	20,921
Euro BOBL Dec 2013 <sup>[a]</sup>	20,823
Treasury 2.25% 2014 (£)	20,146
Verizon Communications 6.55% 2043 (\$)	19,958
European Investment Bank 6% 2028 (£)	18,706
Northern Trust Global Fund - Sterling <sup>[b]</sup>	415,507
Other purchases	348,555
<b>Total purchases</b>	<b>3,958,959</b>
Largest sales	£'000
UK Long Gilt Bond Dec 2013 <sup>[a]</sup>	553,524
10 Year US Treasury Note Dec 2013 <sup>[a]</sup>	511,639
10 Year US Treasury Note Mar 2014 <sup>[a]</sup>	495,967
Treasury 3.75% 2052 (£)	154,237
US Long Bond Dec 2013 <sup>[a]</sup>	84,106
US Long Bond Mar 2014 <sup>[a]</sup>	82,474
5 Year US Treasury Note Sep 2013 <sup>[a]</sup>	77,150
Treasury 5% 2025 (£)	72,425
Euro Bond Mar 2014 <sup>[a]</sup>	70,147
Euro Bond Dec 2013 <sup>[a]</sup>	70,142
UK Long Gilt Bond Sep 2013 <sup>[a]</sup>	47,393
Ultra Long US Treasury Bond Dec 2013 <sup>[a]</sup>	40,584
Treasury 3.25% 2052 (£)	34,752
Ultra Long US Treasury Bond Mar 2044 <sup>[a]</sup>	31,969
EDF 5.5% 2041 (€)	26,458
DWR Cymru Financing 6.907% 2021 (£)	24,541
European Investment Bank 5.5% 2025 (£)	22,245
German Euro BOBL Sep 2013 <sup>[a]</sup>	21,486
Roche Holdings 7% 2039 (\$)	20,940
Euro BOBL Dec 2013 <sup>[a]</sup>	20,823
Northern Trust Global Fund - Sterling <sup>[b]</sup>	420,878
Other sales	650,537
<b>Total sales</b>	<b>3,534,417</b>

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

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

## INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 31 December 2013.

### STATEMENT OF TOTAL RETURN

	2013		2012	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		7,680		337,855
Revenue	125,846		144,446	
Expenses	(26,578)		(31,909)	
Finance costs: Interest	(14)		(8)	
Net revenue before taxation	99,254		112,529	
Taxation	0		(28)	
Net revenue after taxation		99,254		112,501
<b>Total return before distributions</b>		<b>106,934</b>		<b>450,356</b>
Finance costs: Distributions		(99,250)		(112,623)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>7,684</b>		<b>337,733</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>5,607,891</b>		<b>6,220,370</b>
Amounts received on issue of shares	242,460		362,003	
Amounts paid on cancellation of shares	(603,645)		(628,066)	
Stamp Duty Reserve Tax		(361,185)		(266,063)
Stamp Duty Reserve Tax		1,637		0
Change in net assets attributable to shareholders from investment activities (see above)		7,684		337,733
Retained distributions on Accumulation shares		20,587		23,684
Unclaimed distributions		9		9
<b>Closing net assets attributable to shareholders</b>		<b>5,276,623</b>		<b>6,315,733</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 Corporate Bond Fund

## INTERIM FINANCIAL STATEMENTS (unaudited)

### BALANCE SHEET

	as at 31 December 2013		as at 30 June 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		5,205,126		5,583,905
Debtors	99,857		122,704	
Cash and bank balances	46,560		3,347	
<b>Total other assets</b>		<b>146,417</b>		<b>126,051</b>
<b>Total assets</b>		<b>5,351,543</b>		<b>5,709,956</b>
<b>Liabilities</b>				
Investment liabilities		(14,342)		(3,178)
Creditors				
Net distributions payable on Income shares	(29,215)		(28,297)	
Other creditors	(31,363)		(55,239)	
Bank overdrafts	0		(15,351)	
<b>Total other liabilities</b>		<b>(60,578)</b>		<b>(98,887)</b>
<b>Total liabilities</b>		<b>(74,920)</b>		<b>(102,065)</b>
<b>Net assets attributable to shareholders</b>		<b>5,276,623</b>		<b>5,607,891</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 June 2013. 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 Dividend Fund

## AUTHORISED CORPORATE DIRECTOR'S REPORT

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

The Fund invests mainly in a range of UK equities with the aim of achieving a steadily increasing income stream. The Fund will target a yield higher than that of the FTSE All-Share Index. Subject to this, the aim will be to maximise total return (the combination of income and growth of capital).

### Investment approach

The M&G Dividend Fund employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund seeks to invest in companies that understand capital discipline, have the potential to increase dividends consistently and are undervalued by the stockmarket. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a diversified portfolio with exposure to a broad range of sectors. He selects stocks with different drivers of dividend growth to construct a portfolio that can perform well in a variety of market conditions. The fund invests with a long-term investment view and a typical holding period of three to five years.

### Risk and reward profile\*



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

\* 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 January 2014, for the six months ended 31 December 2013

With the aim of achieving a steadily increasing income stream, the fund is invested in stocks from three categories of dividend<sup>[a]</sup> growth: 'quality', 'assets' and 'rapid growth', each with different risk/reward profiles. These categories complement each other and provide a balance between defensiveness and cyclical (economic sensitivity), enabling the fund to perform in a variety of market conditions.

Over the review period, the fund was steered more towards the 'quality' category, the largest portfolio segment. New purchases included SES Global and Reed Elsevier. SES is a world-leading satellite operator benefiting from the increase in demand for satellite services, such as pay TV viewership in emerging markets, and greater data requirements as TV shifts to more intensive platforms such as HD and 3D. Publisher Reed Elsevier is a global company with strong market positions and a favourable growth profile. It has migrated much of its traditional print operations to an electronic format and invested in the business post a period of under investment.

Of note amongst the other new holdings were insurer Prudential in the 'assets' category and WH Smith in the 'rapid growth' category. Prudential is an international business with a healthy focus on cash and returns, which is expanding into the Far East to access a burgeoning middle class. Meanwhile, WH Smith is one of the world's leading travel retailers and has returned around half the company's market capitalisation to investors over the past five years.

Sales during this period were concentrated upon removing poor performers or shares where yields<sup>[b]</sup> were too low or there was little prospect of dividend growth. The former included supermarket operator Tesco, which faces significant headwinds at home and abroad. The latter included drugmaker Shire, as well as a number of resources stocks, such as Royal Dutch Shell 'B', Tullow Oil, First Quantum Minerals and BHP Billiton. The last mentioned also reflected a loss of faith in the global miner's capital discipline.

### Phil Cliff Fund manager

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

<sup>[a]</sup> Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

<sup>[b]</sup> Yield (equity) refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Yields are not fixed and the level of income may vary.

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 Dividend Fund

## FUND STATISTICS

Sterling Class 'C' shares are not generally available to all investors.

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.07.14	31.08.14
Interim	02.01.15	28.02.15

	Interim distribution Inc		Ongoing Charges Figure <sup>[b]</sup>	
	28.02.14 <sup>[a]</sup>	02.01.14 <sup>[a]</sup>	31.12.13	30.06.13
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>%</b>	<b>%</b>
Class 'A'	0.7850	7.2129	1.66	1.66
Class 'C'	0.8889	n/a	0.16	0.16
Class 'I'	15.1431	15.7795	0.91	0.91 <sup>[c]</sup>
Class 'R'	1.5102	1.5729	1.16	1.16 <sup>[c]</sup>
Class 'X'	0.7885	7.1348	1.66	1.66

<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 comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had not been in existence for a full financial year.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.12.13		Net asset value per share as at 30.06.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
	p	p	p	p	%	%
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>%</b>	<b>%</b>
Class 'A'	61.01	567.77	56.16	516.08	+8.64	+10.02
Class 'C'	69.37	n/a	63.37	n/a	+9.47	n/a
Class 'I'	1,179.13	1,244.55	1,081.55	1,127.13	+9.02	+10.42
Class 'R'	117.51	123.98	107.89	112.41	+8.92	+10.29
Class 'X'	61.29	561.67	56.42	510.54	+8.63	+10.01

### PERFORMANCE SINCE LAUNCH

	six months 01.07.13 %	one year 02.01.13 %	five years 02.01.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+8.7	+10.6	+6.2	+6.8 <sup>[c]</sup>
Class 'C'	+9.6	+12.1	+7.8	+2.0 <sup>[d]</sup>
Class 'I'	+9.2	+11.4	n/a	+12.7 <sup>[e]</sup>
Class 'R'	+9.0	+11.1	n/a	+12.4 <sup>[e]</sup>
Class 'X'	+8.7	+10.5	+6.2	+4.0 <sup>[f]</sup>

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

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

<sup>[c]</sup> 6 May 1964, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 January 2006, the launch date of the share class.

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

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

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

From To	31.12.12 31.12.13 %	30.12.11 31.12.12 %	31.12.10 30.12.11 %	31.12.09 31.12.10 %	31.12.08 31.12.09 %
<b>Sterling</b>					
Class 'A'	+17.6	+15.7	-5.9	+13.6	+16.3

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

### PRICES

Calendar year	Income shares		Accumulation shares		
	Highest	Lowest	Highest	Lowest	
<b>Sterling (net)</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>	
Class 'A'	2009	50.82	35.26	392.69	262.41
	2010	55.06	44.43	445.95	359.84
	2011 <sup>[a]</sup> <sup>[b]</sup> <sup>[c]</sup>	56.68	44.20	468.37	372.61
	2012 <sup>[d]</sup>	55.72	49.40	491.02	422.86
	2013	62.58	55.00	567.28	491.52
	2014 <sup>[e]</sup>	61.28	61.28	570.28	570.28
Class 'C'	2009	54.37	37.31	n/a	n/a
	2010	59.81	47.91	n/a	n/a
	2011 <sup>[a]</sup> <sup>[b]</sup> <sup>[c]</sup>	61.95	48.57	n/a	n/a
	2012 <sup>[d]</sup>	62.38	54.57	n/a	n/a
	2013	70.60	61.73	n/a	n/a
	2014 <sup>[e]</sup>	69.69	69.69	n/a	n/a
Class 'I'	2012 <sup>[f]</sup>	1,068.31	1,000.00	1,068.22	1,000.00
	2013	1,203.85	1,055.36	1,243.50	1,069.74
	2014 <sup>[e]</sup>	1,184.45	1,184.45	1,250.10	1,250.10
Class 'R'	2012 <sup>[f]</sup>	106.74	100.00	106.68	100.00
	2013	120.15	105.42	123.88	106.82
	2014 <sup>[e]</sup>	118.03	118.03	124.53	124.53
Class 'X'	2009	51.06	35.43	388.47	259.59
	2010	55.32	44.63	441.16	355.97
	2011 <sup>[a]</sup> <sup>[b]</sup> <sup>[c]</sup>	56.94	44.40	463.33	368.60
	2012 <sup>[d]</sup>	55.97	49.63	485.74	418.32
	2013	62.88	55.26	561.18	486.24
	2014 <sup>[e]</sup>	61.56	61.56	564.16	564.16

<sup>[a]</sup> On 14 March 2011 the fund's objective and policy were changed.

<sup>[b]</sup> The M&G Income Fund merged into the M&G Dividend Fund immediately after 12 August 2011.

<sup>[c]</sup> The Prudential Equity Income Trust merged into the M&G Dividend Fund immediately after 14 October 2011.

<sup>[d]</sup> The Prudential Higher Income Trust merged into the M&G Dividend Fund immediately after 22 June 2012.

<sup>[e]</sup> To 2 January 2014.

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

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

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

# M&G Dividend Fund

## FUND STATISTICS

### INCOME

#### Dividend income per share

	Calendar year	Interim	Distributed Final	Total	Reinvested
<b>Sterling (net)</b>		<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A'	2009	1.0200	1.5300	2.5500	18.8075
	2010	0.7500	1.4650	2.2150	17.2858
	2011	0.7500	1.4740	2.2240	18.1748
	2012	0.7600	1.5260	2.2860	19.4823
	2013	0.7700	1.5958	2.3658	20.9852
	2014 [a]	0.7850	-	0.7850	7.2129
Class 'C'	2009	1.0200	1.6700	2.6900	n/a
	2010	0.7500	1.6200	2.3700	n/a
	2011	0.7500	1.6730	2.4230	n/a
	2012	0.7600	1.7650	2.5250	n/a
	2013	0.7700	1.8841	2.6541	n/a
	2014 [a]	0.8889	-	0.8889	n/a
Class 'I'	2013	14.4700	30.5678	45.0378	45.4155
	2014 [a]	15.1431	-	15.1431	15.7795
Class 'R'	2013	1.4500	3.0479	4.4979	4.5339
	2014 [a]	1.5102	-	1.5102	1.5729
Class 'X'	2009	1.0200	1.5410	2.5610	18.5999
	2010	0.7500	1.4750	2.2250	17.0982
	2011	0.7500	1.4840	2.2340	17.9772
	2012	0.7600	1.5360	2.2960	19.2827
	2013	0.7700	1.6081	2.3781	20.7574
	2014 [a]	0.7885	-	0.7885	7.1348

[a] Up to interim: ex-distribution date 2 January 2014; payment date 28 February 2014.

### NET ASSETS

	Period ended	Value per share Inc	Value per share Acc	Number of shares Inc	Number of shares Acc
<b>Sterling</b>		<b>p</b>	<b>p</b>		
Class 'A'	Jun 2011	54.01	455.34	702,534,364	17,931,765
	Jun 2012	51.02	449.77	941,137,965	23,716,713
	Jun 2013	56.16	516.08	836,342,965	19,662,513
	Dec 2013	61.01	567.77	799,724,965	18,614,913
Class 'C'	Jun 2011	59.12	n/a	28,342,100	n/a
	Jun 2012	56.71	n/a	1,125,179,420	n/a
	Jun 2013	63.37	n/a	1,002,602,420	n/a
	Dec 2013	69.37	n/a	987,415,920	n/a
Class 'I'	Jun 2013	1,081.55	1,127.13	1,429,000	159,470
	Dec 2013	1,179.13	1,244.55	2,272,100	171,470
Class 'R'	Jun 2013	107.89	112.41	572,000	59,000
	Dec 2013	117.51	123.98	715,000	59,000
Class 'X'	Jun 2011	54.26	450.44	38,485,085	751,000
	Jun 2012	51.26	444.94	47,054,602	966,163
	Jun 2013	56.42	510.54	48,928,602	982,563
	Dec 2013	61.29	561.67	50,761,602	1,211,863

#### Total net asset value of sub-fund

Period ended	£	€ [a]
Jun 2011	502,119,000	555,257,000
Jun 2012	1,253,323,000	1,554,501,000
Jun 2013	1,257,053,000	1,465,270,000
Dec 2013	1,346,329,000	1,616,095,000

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

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Oil &amp; gas producers</b>		<b>5.57</b>	<b>13.97</b>
12,346,749 BP	60,511	4.49	
2,000,000 Nostrum Oil & Gas	14,233	1.06	
15,098 Royal Dutch Shell 'A'	327	0.02	
<b>Oil equipment, services &amp; distribution</b>		<b>2.20</b>	<b>2.15</b>
1,710,000 Petrofac	20,913	1.55	
356,000 Seadrill	8,784	0.65	
<b>Chemicals</b>		<b>1.00</b>	<b>0.87</b>
5,000,000 Elementis	13,435	1.00	
<b>Industrial metals &amp; mining</b>		<b>0.00</b>	<b>2.09</b>
<b>Mining</b>		<b>3.98</b>	<b>5.38</b>
1,570,000 Rio Tinto	53,584	3.98	
<b>Aerospace &amp; defence</b>		<b>1.78</b>	<b>1.58</b>
8,770,000 Cobham	24,021	1.78	
<b>General industrials</b>		<b>4.19</b>	<b>3.63</b>
10,000,000 DS Smith	33,190	2.47	
3,912,718 RPC Group	23,144	1.72	
<b>Electronic &amp; electrical equipment</b>		<b>1.02</b>	<b>0.89</b>
1,791,899 Domino Printing Sciences	13,762	1.02	
<b>Industrial engineering</b>		<b>1.55</b>	<b>1.49</b>
700,000 Spirax-Sarco Engineering	20,832	1.55	

# M&G Dividend Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Industrial transportation</b>			
6,000,000 BBA Aviation	19,188	1.43	
260,000 Golar LNG	5,681	0.42	
<b>Support services</b>			
2,000,000 Capita Group	20,740	1.54	
1,133,000 De La Rue	9,902	0.74	
2,750,000 Essentra	23,141	1.72	
3,400,000 G4S	8,969	0.67	
5,600,000 Premier Farnell	12,331	0.92	
10,000,000 Regus	21,590	1.60	
2,130,000 Serco Group	10,671	0.79	
<b>Beverages</b>			
3,000,000 Britvic	20,610	1.53	
<b>Food producers</b>			
3,000,000 Tate & Lyle	24,285	1.80	
1,300,000 Unilever	32,240	2.40	
<b>Household goods &amp; home construction</b>			
600,000 Reckitt Benckiser	28,740	2.14	
<b>Personal goods</b>			
4,000,000 PZ Cussons	15,024	1.12	
<b>Tobacco</b>			
1,860,000 British American Tobacco	60,059	4.46	
1,600,000 Imperial Tobacco	37,344	2.77	
<b>Pharmaceuticals &amp; biotechnology</b>			
3,455,000 GlaxoSmithKline	55,677	4.14	
682,000 Novartis (Regd.)	32,952	2.45	
<b>Food &amp; drug retailers</b>			
<b>General retailers</b>			
760,000 WH Smith	7,592	0.56	
<b>Media</b>			
2,490,000 British Sky Broadcasting Group	21,016	1.56	
785,000 Pearson	10,550	0.78	
2,050,000 Reed Elsevier	18,358	1.36	
2,150,000 SES Global	42,136	3.13	
3,000,000 UBM	19,455	1.45	
<b>Travel &amp; leisure</b>			
1,000,000 Compass Group	9,655	0.72	
985,000 Greene King	8,653	0.64	
7,500,000 Ladbrokes	13,373	0.99	
<b>Mobile telecommunications</b>			
21,275,000 Vodafone Group	50,624	3.76	
<b>Gas, water &amp; multi-utilities</b>			
10,000,000 Centrica	34,640	2.57	
<b>Banks</b>			
11,866,718 HSBC Holdings	78,736	5.85	
2,250,000 Standard Chartered	30,690	2.28	
<b>Non-life insurance</b>			
4,625,000 Amlin	21,159	1.57	
2,136,000 Hiscox	14,802	1.10	
<b>Life insurance</b>			
15,650,000 Legal & General Group	34,900	2.59	
3,010,000 Prudential	40,334	3.00	
11,750,000 Resolution	41,454	3.08	
6,027,000 Standard Life	21,559	1.60	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Real estate investment trusts</b>			
15,222,500 Hansteen Holdings	16,440	1.22	
<b>Financial services</b>			
1,127,000 IG Group Holdings	6,875	0.51	
2,600,000 Jupiter Fund Management	9,945	0.74	
1,200,000 Provident Financial	19,416	1.44	
<b>Software &amp; computer services</b>			
1,000,000 Fidessa Group	22,570	1.68	
2,155,427 Micro Focus	16,608	1.23	
<b>AIM quoted</b>			
5,000,000 African Minerals	10,000	0.74	
1,460,000 GVC Holdings (previously Gaming VC Holdings)	5,154	0.38	
<b>Non-convertible preference shares</b>			
37,500 Nationwide Buildings Society 10.25% Non-cum. Irrd. Pref.	4,299	0.32	
<b>Unquoted / unlisted</b>			
377,518 Izodia <sup>[a]</sup>	0	0.00	
<b>'AAA' rated money market funds <sup>[b]</sup></b>			
4,125,000 Northern Trust Global Fund - Sterling	4,125	0.31	
<b>Portfolio of investments</b>	<b>1,360,998</b>	<b>101.09</b>	<b>102.22</b>
<b>Net other liabilities</b>	<b>(14,669)</b>	<b>(1.09)</b>	<b>(2.22)</b>
<b>Net assets attributable to shareholders</b>	<b>1,346,329</b>	<b>100.00</b>	<b>100.00</b>

<sup>[a]</sup> Suspended on 16 December 2002.

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



# M&G Dividend Fund

## PORTFOLIO

### PORTFOLIO TRANSACTIONS

for the six months ended 31 December 2013

	£'000
<b>Largest purchases</b>	<b>£'000</b>
SES Global	40,281
Prudential	34,958
Resolution	23,249
Amlin	18,369
Vodafone Group	17,616
Reed Elsevier	16,786
HSBC Holdings	13,261
De La Rue	10,528
Seadrill	10,507
Jupiter Fund Management	9,489
Serco Group	9,456
Compass Group	9,310
Petrofac	8,895
Greene King	8,493
G4S	8,398
GlaxoSmithKline	8,002
WH Smith	7,471
British American Tobacco	7,245
IG Group Holdings	6,789
Golar LNG	6,515
Northern Trust Global Fund - Sterling <sup>[a]</sup>	169,375
Other purchases	33,741
<b>Total purchases</b>	<b>478,734</b>
<b>Largest sales</b>	<b>£'000</b>
Royal Dutch Shell 'B'	63,227
Tesco	36,905
Barclays	32,999
First Quantum Minerals	30,822
Tullow Oil	29,896
BHP Billiton	23,416
Shire	21,389
BTG	15,886
AMEC	15,628
BP	13,312
Dixons Retail	12,531
Fresnilo	11,709
Enterprise Inns	9,948
Smiths Group	6,923
Bowleven	5,890
Premier Farnell	4,006
Pearson	3,795
Standard Life	3,282
Vodafone Group	2,542
Royal Mail	1,103
Northern Trust Global Fund - Sterling <sup>[a]</sup>	170,591
Other sales	736
<b>Total sales</b>	<b>516,536</b>

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

## INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 31 December 2013.

### STATEMENT OF TOTAL RETURN

	2013		2012	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		113,722		79,807
Revenue	23,096		23,049	
Expenses	(5,913)		(5,855)	
Finance costs: Interest	(3)		0	
Net revenue before taxation	17,180		17,194	
Taxation	(128)		(49)	
Net revenue after taxation		17,052		17,145
<b>Total return before distributions</b>		<b>130,774</b>		<b>96,952</b>
Finance costs: Distributions		(17,462)		(17,852)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>113,312</b>		<b>79,100</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>1,257,053</b>		<b>1,253,323</b>
Amounts received on issue of shares	39,540		25,036	
Amounts paid on cancellation of shares	(65,034)		(57,039)	
		(25,494)		(32,003)
Stamp Duty Reserve Tax		(109)		(72)
Change in net assets attributable to shareholders from investment activities (see above)		113,312		79,100
Retained distributions on Accumulation shares		1,457		1,634
Unclaimed distributions		110		94
<b>Closing net assets attributable to shareholders</b>		<b>1,346,329</b>		<b>1,302,076</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.

### BALANCE SHEET

	as at 31 December 2013		as at 30 June 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		1,360,998		1,285,013
Debtors	3,249		8,708	
Cash and bank balances	277		1	
<b>Total other assets</b>		<b>3,526</b>		<b>8,709</b>
<b>Total assets</b>		<b>1,364,524</b>		<b>1,293,722</b>
<b>Liabilities</b>				
Creditors				
Net distributions payable on Income shares	(15,810)		(33,477)	
Other creditors	(2,385)		(3,192)	
<b>Total liabilities</b>		<b>(18,195)</b>		<b>(36,669)</b>
<b>Net assets attributable to shareholders</b>		<b>1,346,329</b>		<b>1,257,053</b>

# M&G Dividend Fund

## INTERIM FINANCIAL STATEMENTS (unaudited)

### 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 June 2013. 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 Emerging Markets Bond Fund

## AUTHORISED CORPORATE DIRECTOR'S REPORT

### Investment objective of the M&G Emerging Markets Bond Fund

The Fund aims to maximise total return (the combination of income and growth of capital).

### Investment policy of the M&G Emerging Markets Bond Fund

The Fund invests mainly in debt instruments issued by emerging market borrowers, including government, government agency and corporate debt. There are no restrictions on the currencies to which the Fund may be exposed. Derivatives may be used for investment purposes as well as for efficient portfolio management. The Fund may also invest in collective investment schemes, other transferable securities (including other debt instruments), cash and near cash, deposits, warrants and money market instruments.

M&G has the discretion to identify the countries that it considers to qualify as emerging markets although these will typically be those that the IMF or World Bank define as emerging or developing economies.

### Investment approach

The M&G Emerging Markets Bond Fund aims to maximise total returns by investing mainly in emerging market sovereign and corporate debt. The investment approach begins with a top-down assessment of macroeconomic factors such as global risk appetite and structural global growth catalysts. On a regional and country-specific level, factors such as monetary and fiscal policies, capital flows, and political and regulatory environments will be assessed. The result of this analysis will help inform the fund's country and currency allocations and its duration. Individual credit selection is determined by a thorough credit analysis and an assessment of valuations. Both macroeconomic and stock-specific analysis is undertaken in close conjunction with the deputy fund manager and the internal credit analysts. The fund is diversified by investing in a range of assets across global emerging markets and is unconstrained by a benchmark with a fully flexible strategy.

### 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 'X' shares, the nominated share class.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 2 January 2014, for the six months ended 31 December 2013

We maintained a very selective approach to investing in emerging market bonds<sup>[a]</sup> during the review period, believing that while valuations have fallen across markets, they often still did not adequately reflect the risks developing countries face. In our view, these included the potential for outflows of foreign capital and the knock-on effects of an economic slowdown in China.

Despite these considerations, we also felt that lower valuations in certain markets presented some attractive buying opportunities for the fund. We generally continued to prefer bonds issued by emerging market companies over government bonds from developing countries. The fund's purchases included bonds issued by South African power utility Eskom, office equipment supplier Office Depot de Mexico, and Hungarian telecommunications company Matel & Magyar, where a restructuring is under way that we believed should offer upside potential.

We also bought US dollar-denominated bonds issued by China National Offshore Oil Corporation (CNOOC) that pay interest of 4.5% until 2023. The group is partly using the proceeds from the issue to finance its acquisition of a natural gas venture in Queensland, Australia.

After the relative outperformance of emerging market corporate bonds over government bonds during 2013, steps were taken in the final month of the period to take some profits from the fund's overweight allocation to the former area. This move coincided with a change in the management of the fund on 2 December 2013.

At the same time, selective purchases were made to add to its government bond holdings in various regions. These included Gabon's 6.375% bond maturing in 2024 and Cote D'Ivoire's 5.75% bond maturing in 2032. The fund's exposure to South America was also increased through purchases of government bonds from Guatemala and Paraguay, which are two countries we consider to have solid macro-underpinnings and financial flexibility.

The fund's overall currency positioning remained largely allocated to the US dollar at the end of the period, reflecting our continued view that the currency should perform well helped by the strengthening US economy.

### Claudia Calich Fund manager

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

<sup>[a]</sup> Emerging market bonds are interest-bearing loans issued by governments and companies in countries that are in the process of rapid economic growth and increasing industrialisation. As a result, investments in emerging markets are generally considered to be riskier than those in developed markets.

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 Emerging Markets Bond Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.07.14	31.08.14
Interim	02.01.15	28.02.15

	Interim distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 28.02.14 <sup>[a]</sup>	Acc 02.01.14 <sup>[a]</sup>	31.12.13	30.06.13
<b>Sterling</b>	p	p	%	%
Class 'A'	0.8864	1.7608	1.54	1.50
Class 'I'	1.4348	1.4904	1.05	1.04
Class 'R'	1.1944	1.2056	1.29	1.29 <sup>[d]</sup>
Class 'X'	0.8824	1.6864	1.54	1.50
<b>Euro</b>	¢	¢	%	%
Class 'A'	15.1730	15.0946	1.54	1.53
Class 'B'	n/a	12.2160	2.06 <sup>[c]</sup>	n/a
Class 'C'	n/a	18.2690	1.04	1.00
<b>Swiss franc</b>	¢	¢	%	%
Class 'A'	n/a	14.2840	1.55 <sup>[c]</sup>	n/a
Class 'C'	n/a	16.4320	1.05 <sup>[c]</sup>	n/a
<b>US dollar</b>	¢	¢	%	%
Class 'A'	n/a	15.8557	1.58	1.56
Class 'C'	n/a	19.1530	1.03	1.00

<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.

<sup>[d]</sup> The comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had 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 31.12.13		Net asset value per share as at 30.06.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	73.78	143.43	78.34	150.44	-5.82	-4.66
Class 'I'	98.88	103.53	104.99	108.35	-5.82	-4.45
Class 'R'	92.73	96.21	98.46	100.89	-5.82	-4.64
Class 'X'	72.70	143.77	77.19	150.87	-5.82	-4.71
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	10.0641	10.2165	n/a	10.3786	n/a	-1.56
Class 'B'	n/a	9.6797	n/a	n/a	n/a	n/a
Class 'C'	n/a	10.3071	n/a	10.4403	n/a	-1.28
<b>Swiss franc</b>	CHF	CHF	CHF	CHF	%	%
Class 'A'	n/a	9.6517	n/a	n/a	n/a	n/a
Class 'C'	n/a	9.6726	n/a	n/a	n/a	n/a
<b>US dollar</b>	\$	\$	\$	\$	%	%
Class 'A'	n/a	10.7110	n/a	10.3268	n/a	+3.72
Class 'C'	n/a	10.8195	n/a	10.4028	n/a	+4.01

### PERFORMANCE SINCE LAUNCH

	six months 01.07.13 %	one year 02.01.13 %	five years 02.01.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	-4.9	-2.7	+4.2	+8.1 <sup>[c]</sup>
Class 'I'	-4.7	-2.5	n/a	+2.8 <sup>[d]</sup>
Class 'R'	-4.9	-2.6	n/a	-1.8 <sup>[e]</sup>
Class 'X'	-5.0	-2.7	+4.2	+7.8 <sup>[f]</sup>
<b>Euro <sup>[g]</sup></b>				
Class 'A'	-1.4	-4.0	n/a	+2.4 <sup>[d]</sup>
Class 'B'	n/a	n/a	n/a	-1.4 <sup>[h]</sup>
Class 'C'	-1.1	-3.4	n/a	+2.9 <sup>[d]</sup>
<b>Swiss franc <sup>[g]</sup></b>				
Class 'A'	n/a	n/a	n/a	-1.4 <sup>[h]</sup>
Class 'C'	n/a	n/a	n/a	-1.2 <sup>[h]</sup>
<b>US dollar <sup>[g]</sup></b>				
Class 'A'	+3.5	-0.8	n/a	+4.9 <sup>[d]</sup>
Class 'C'	+3.8	-0.3	n/a	+5.5 <sup>[d]</sup>

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

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

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

<sup>[d]</sup> 19 April 2012, the launch date of the share class.

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

<sup>[f]</sup> 15 October 1999, the end of the initial offer period of the predecessor unit trust.

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

<sup>[h]</sup> 26 July 2013, the launch date of the share class. Not annualised.

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

From	31.12.12	30.12.11	31.12.10	31.12.09	31.12.08
To	31.12.13	31.12.12	30.12.11	31.12.10	31.12.09
	%	%	%	%	%
<b>Sterling</b>					
Class 'X'	-3.3	+8.2	+0.9	+13.7	+3.0

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

# M&G Emerging Markets Bond Fund

## FUND STATISTICS

### PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>					
		p	p	p	p
Class 'A'	2009	73.34	63.39	124.80	106.02
	2010	79.84	69.15	139.70	120.15
	2011	77.83	71.98	142.16	129.32
	2012	80.62	74.48	151.16	137.85
	2013	86.74	74.50	164.56	143.12
	2014 <sup>[a]</sup>	74.76	74.76	145.30	145.30
Class 'I'	2012 <sup>[b]</sup>	108.24	99.59	108.80	99.59
	2013	116.37	99.97	118.68	103.20
	2014 <sup>[a]</sup>	100.19	100.19	104.88	104.88
Class 'R'	2012 <sup>[c]</sup>	101.18	96.78	101.18	96.78
	2013	109.05	93.65	110.29	95.95
	2014 <sup>[a]</sup>	93.96	93.96	97.47	97.47
Class 'X'	2009	72.26	62.45	125.10	106.26
	2010	78.66	68.13	140.03	120.43
	2011	76.68	70.91	142.49	129.62
	2012	79.43	73.37	151.52	138.17
	2013	85.47	73.41	164.94	143.46
	2014 <sup>[a]</sup>	73.66	73.66	145.63	145.63
<b>Euro (gross)</b>					
		€	€	€	€
Class 'A'	2012 <sup>[b]</sup>	n/a	n/a	11.2521	9.9825
	2013	10.7051 <sup>[d]</sup>	10.0471 <sup>[d]</sup>	11.4669	10.0462
	2014 <sup>[a]</sup>	10.2569	10.2569	10.4099	10.4099
Class 'B'	2013 <sup>[e]</sup>	n/a	n/a	10.0000	9.5373
	2014 <sup>[a]</sup>	n/a	n/a	9.8627	9.8627
Class 'C'	2012 <sup>[b]</sup>	n/a	n/a	11.2665	9.9833
	2013	n/a	n/a	11.5279	10.1180
	2014 <sup>[a]</sup>	n/a	n/a	10.5023	10.5023
<b>Swiss franc (gross)</b>					
		CHF	CHF	CHF	CHF
Class 'A'	2013 <sup>[e]</sup>	n/a	n/a	10.0000	9.5070
	2014 <sup>[a]</sup>	n/a	n/a	9.8617	9.8617
Class 'C'	2013 <sup>[e]</sup>	n/a	n/a	10.0011	9.5110
	2014 <sup>[a]</sup>	n/a	n/a	9.8832	9.8832
<b>US dollar (gross)</b>					
		\$	\$	\$	\$
Class 'A'	2012 <sup>[b]</sup>	n/a	n/a	10.9130	9.8706
	2013	n/a	n/a	11.2813	10.0728
	2014 <sup>[a]</sup>	n/a	n/a	10.8515	10.8515
Class 'C'	2012 <sup>[b]</sup>	n/a	n/a	10.9615	9.8773
	2013	n/a	n/a	11.3559	10.1582
	2014 <sup>[a]</sup>	n/a	n/a	10.9614	10.9614

<sup>[a]</sup> To 2 January 2014.

<sup>[b]</sup> From 19 April 2012 (the launch date of the share class).

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

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

<sup>[e]</sup> From 26 July 2013 (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

Interest income per share

	Calendar year	Interim	Distributed	Total	Reinvested
			Final		
<b>Sterling (net)</b>					
		p	p	p	p
Class 'A'	2009	1.6620	1.1164	2.7784	4.5824
	2010	1.4460	1.3220	2.7680	4.7584
	2011	1.2420	1.2560	2.4980	4.4524
	2012	0.9880	1.0020	1.9900	3.6596
	2013	0.9180	0.9764	1.8944	3.5716
	2014 <sup>[a]</sup>	0.8864	-	0.8864	1.7608
Class 'I'	2012	n/a	0.5760	0.5760	0.5804
	2013	1.6000	1.4792	3.0792	2.7200
	2014 <sup>[a]</sup>	1.4348	-	1.4348	1.4904
Class 'R'	2013	1.0540	1.2908	2.3448	2.4144
	2014 <sup>[a]</sup>	1.1944	-	1.1944	1.2056
Class 'X'	2009	1.6400	1.1040	2.7440	4.6039
	2010	1.4240	1.3040	2.7280	4.7660
	2011	1.2260	1.2360	2.4620	4.4624
	2012	0.9760	0.9840	1.9600	3.6684
	2013	0.8960	0.9728	1.8688	3.5828
	2014 <sup>[a]</sup>	0.8824	-	0.8824	1.6864
<b>Euro (gross)</b>					
		€	€	€	€
Class 'A'	2012	n/a	n/a	n/a	6.2020
	2013	n/a	n/a	n/a	31.4998
	2014 <sup>[a]</sup>	15.1730	-	15.1730	15.0946
Class 'B'	2014 <sup>[a]</sup>	n/a	n/a	n/a	12.2160
Class 'C'	2012	n/a	n/a	n/a	7.2140
	2013	n/a	n/a	n/a	37.0290
	2014 <sup>[a]</sup>	n/a	n/a	n/a	18.2690
<b>Swiss franc (gross)</b>					
		€	€	€	€
Class 'A'	2014 <sup>[a]</sup>	n/a	n/a	n/a	14.2840
Class 'C'	2014 <sup>[a]</sup>	n/a	n/a	n/a	16.4320
<b>US dollar (gross)</b>					
		€	€	€	€
Class 'A'	2012	n/a	n/a	n/a	5.6670
	2013	n/a	n/a	n/a	30.0970
	2014 <sup>[a]</sup>	n/a	n/a	n/a	15.8557
Class 'C'	2012	n/a	n/a	n/a	6.8530
	2013	n/a	n/a	n/a	36.9520
	2014 <sup>[a]</sup>	n/a	n/a	n/a	19.1530

<sup>[a]</sup> Up to interim: ex-distribution date 2 January 2014; payment date 28 February 2014.

# M&G Emerging Markets Bond Fund

## FUND STATISTICS

NET ASSETS					
	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>					
Class 'A'	Jun 2011	74.67	136.41	5,174,551	3,257,787
	Jun 2012	76.54	143.52	4,731,551	3,659,287
	Jun 2013	78.34	150.44	11,814,051	4,731,787
	Dec 2013	73.78	143.43	13,496,051	3,933,787
Class 'I'	Jun 2012	102.58	103.15	1,000	171,000
	Jun 2013	104.99	108.35	522,000	474,000
	Dec 2013	98.88	103.53	765,000	1,688,000
Class 'R'	Jun 2013	98.46	100.89	51,000	17,000
	Dec 2013	92.73	96.21	51,000	17,000
Class 'X'	Jun 2011	73.56	136.73	8,321,883	3,865,134
	Jun 2012	75.41	143.86	8,656,883	4,602,134
	Jun 2013	77.19	150.87	8,899,883	6,148,134
	Dec 2013	72.70	143.71	8,655,883	4,652,634
<b>Euro</b>					
		€	€		
Class 'A'	Jun 2012	n/a	10.4701	n/a	1,000
	Jun 2013	n/a	10.3786	n/a	8,100
	Dec 2013	10.0641	10.2165	3,000	10,100
Class 'B'	Dec 2013	n/a	9.6797	n/a	1,000
Class 'C'	Jun 2012	n/a	10.4803	n/a	1,000
	Jun 2013	n/a	10.4403	n/a	1,000
	Dec 2013	n/a	10.3071	n/a	1,000
<b>Swiss franc</b>					
		CHF	CHF		
Class 'A'	Dec 2013	n/a	9.6517	n/a	1,000
Class 'C'	Dec 2013	n/a	9.6726	n/a	1,000
<b>US dollar</b>					
		\$	\$		
Class 'A'	Jun 2012	n/a	10.0418	n/a	1,000
	Jun 2013	n/a	10.3268	n/a	1,000
	Dec 2013	n/a	10.7110	n/a	3,000
Class 'C'	Jun 2012	n/a	10.0533	n/a	1,000
	Jun 2013	n/a	10.4028	n/a	1,000
	Dec 2013	n/a	10.8195	n/a	1,000
<b>Total net asset value of sub-fund</b>					
	Period ended	£		€ [a]	
	Jun 2011	19,714,000		21,799,000	
	Jun 2012	22,229,000		27,571,000	
	Jun 2013	33,742,000		39,331,000	
	Dec 2013	31,316,000		37,591,000	

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

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'AAA' credit rated bonds</b>			
€300,000 Germany (Federal Republic of) 4.75% 2034	330	1.05	
€150,000 Germany (Federal Republic of) 4.75% 2040	171	0.55	
<b>'AA' credit rated bonds</b>			
\$250,000 Bermuda (Govt. of) 4.138% 2023	145	0.46	
\$200,000 Bermuda (Govt. of) 4.854% 2024	121	0.39	
CLP823,500,000 Chile (Republic of) 5.5% 2020	963	3.08	
\$294,000 CNOOC Finance 4.5% 2023	177	0.57	
\$749,000 CNOOC Finance 3% 2023	405	1.29	
\$200,000 Corp Nacional del Cobre de Chile 3% 2022	109	0.35	
\$430,000 Corp Nacional del Cobre de Chile 5.625% 2035	258	0.82	
\$700,000 IPIC GMTN 5.5% 2022	463	1.48	
\$277,000 Qatar (State of) 6.4% 2040	190	0.61	
\$500,000 US Treasury 2.875% 2043	246	0.78	
\$150,000 US Treasury 5.5% 2028	112	0.36	
<b>'A' credit rated bonds</b>			
MXN12,500,000 America Movil 6.45% 2022	529	1.69	
BRL6,000,000 Brazil (Federal Republic of) 10% 2019	1,390	4.44	
\$1,250,000 CNPC General Capital 3.4% 2023	693	2.21	
MXN25,000,000 Mexico (United Mexican States) 8.5% 2029	1,310	4.18	
MXN10,000,000 Mexico (United Mexican States) 8.5% 2038	511	1.63	
\$500,000 Petronas Capital 7.875% 2022	381	1.22	
\$250,000 Qtel International Finance 3.25% 2023	136	0.43	
\$750,000 Vale Overseas 8.25% 2034	527	1.68	
<b>'BBB' credit rated bonds</b>			
\$1,250,000 Anadolu EFES 3.375% 2022	602	1.92	
\$1,000,000 Brazil (Federal Republic of) 4.25% 2025	574	1.83	
\$750,000 Celulosa Arauco 5% 2021	457	1.45	
COP2,500,000,000 Columbia (Republic of) 7% 2022	782	2.50	
\$500,000 Columbia (Republic of) 10.375% 2033	448	1.43	
\$1,397,000 Embraer Overseas 5.696% 2023	835	2.67	
\$250,000 Eskom 6.75% 2023	154	0.49	
\$1,000,000 Eurasian Development Bank 4.767% 2022	585	1.86	
\$500,000 Eurasian Development Bank 5% 2020	309	0.99	
\$750,000 Iceland (Republic of) 5.875% 2022	464	1.48	
\$850,000 JSC Kazmunaygas 4.4% 2023	477	1.52	
\$1,011,000 Petroleos Mexicanos 4.875% 2024	610	1.95	
\$850,000 Petroleum of Trinidad & Tobago 9.75% 2019	645	2.06	
£300,000 RZD Capital 7.487% 2031	323	1.03	
\$550,000 Samarco Mineracao 4.125% 2022	299	0.95	
\$1,114,000 Transportadora de Gas del Perú 4.25% 2028	591	1.89	
\$750,000 VEB Finance 5.942 SNR MTM 2023	453	1.45	
\$500,000 Voto-Votorantim Overseas Trading Operations IV 7.75% 2020	347	1.11	
<b>'BB' credit rated bonds</b>			
\$1,000,000 Bolivia (Rebublic of) 5.95% 2023	598	1.91	
\$1,500,000 Cementos Pacasmayo 4.5% 2023	817	2.61	
\$750,000 Colombia Telecommunications 5.375% 2022	422	1.35	
\$750,000 Corporación Lindley 6.75% 2021	480	1.53	
\$750,000 Gabonese Republic 6.375% 2024	454	1.45	

# M&G Emerging Markets Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BB' credit rated bonds (continued)</b>			
\$750,000 Guatemala (Republic of) 4.875% 2028	413	1.32	
\$750,000 Israel Electric 7.25% 2019	504	1.61	
\$834,000 Metalsa 4.9% 2023	459	1.47	
\$850,000 Northern Lights III 7% 2019	556	1.78	
\$683,000 Office Depot de Mexico 6.875% 2020	421	1.34	
\$1,000,000 Pacific Rubiales 5.375% 2019	608	1.94	
\$750,000 Paraguay (Republic of) 4.625% 2023	423	1.35	
\$1,000,000 Perusahaan Pener 6.125% 2019	641	2.05	
<b>'B' credit rated bonds</b>		<b>2.99</b>	<b>0.00</b>
\$761,000 Cemex FRN 2018	479	1.53	
€513,000 TVN Finance III 7.375% 2020	456	1.46	
<b>'D' credit rated bonds</b>		<b>0.00</b>	<b>0.50</b>
<b>Bonds with no credit rating</b>		<b>15.06</b>	<b>17.39</b>
\$1,250,000 ADIB Sukuk Var. Rate Perp. (6.375%)	757	2.42	
\$750,000 Cote D'Ivoire Var. Rate 2032 (5.75%)	403	1.29	
\$750,000 Dolphin Energy 5.5% 2021	494	1.58	
\$1,300,000 DP World 6.85% 2037	775	2.48	
\$850,000 EP Energy 5.875% 2019	773	2.47	
\$1,200,000 Intercorp Retail Trustee 8.875% 2018	772	2.46	
€353,390 Matel & Magyar 9%	309	0.99	
\$9,750,000 Petroleos Mexicano 7.19% 2024	428	1.37	
<b>Credit default swaps</b>		<b>0.06</b>	<b>(0.53)</b>
\$750,000 Indonesia (Republic of) Sep 2017	10	0.03	
\$750,000 South Africa (Republic of) Sep 2017	10	0.03	
<b>Forward currency contracts</b>		<b>0.29</b>	<b>0.41</b>
MYR3,300,000 Bought for \$1,031,637 (expires 20.02.14)	(16)	(0.05)	
PEN8,058,660 Bought for \$2,850,000 (expires 20.02.14)	5	0.02	
PHP173,388,000 Bought for \$4,000,000 (expires 20.02.14)	(55)	(0.18)	
THB32,000,000 Bought for \$1,007,240 (expires 20.02.14)	(22)	(0.07)	
\$4,898,576 Bought for BRL11,350,000 (expires 20.02.14)	88	0.28	
\$4,000,000 Bought for CLP2,101,080,000 (expires 20.02.14)	18	0.06	
\$2,497,759 Bought for €1,850,000 (expires 20.02.14)	(30)	(0.10)	
€1,500,000 Bought for HUF448,230,000 (expires 20.02.14)	(4)	(0.01)	
\$2,800,000 Bought for IDR32,589,200,000 (expires 20.02.14)	88	0.28	
\$1,500,000 Bought for INR94,440,000 (expires 20.02.14)	5	0.02	
\$2,000,000 Bought for PHP89,040,000 (expires 20.02.14)	(5)	(0.02)	
\$1,203,975 Bought for £750,000 (expires 20.02.14)	(21)	(0.07)	
\$2,049,040 Bought for ZAR21,000,000 (expires 20.02.14)	42	0.13	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Interest rate futures contracts</b>			
(10) Long Gilt Bond Mar 2014	24	0.08	
(70) US 10 Year Note Mar 2014	109	0.35	
<b>'AAA' rated money market funds <sup>[a]</sup></b>		<b>0.40</b>	<b>0.52</b>
209,000 Northern Trust Global Fund - US dollar	126	0.40	
<b>Portfolio of investments</b>	<b>30,936</b>	<b>98.79</b>	<b>99.08</b>
<b>Net other assets</b>	<b>380</b>	<b>1.21</b>	<b>0.92</b>
<b>Net assets attributable to shareholders</b>	<b>31,316</b>	<b>100.00</b>	<b>100.00</b>

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

### COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure			Total as at 31.12.13 £'000
	Credit default swaps £'000	Forward currency contracts £'000	Futures £'000	
J.P.Morgan	20	0	0	20
Royal Bank of Scotland	0	0	133	133
State Street Bank	0	93	0	93
<b>Total</b>	<b>20</b>	<b>93</b>	<b>133</b>	<b>246</b>

# M&G Emerging Markets Bond Fund

## PORTFOLIO

### PORTFOLIO TRANSACTIONS

for the six months ended 31 December 2013

	£'000
<b>Largest purchases</b>	<b>£'000</b>
US 10 Year Note Dec 2013 <sup>[a]</sup>	5,468
Brazil (Federal Republic of) 10% 2019 (BRL)	1,572
Mexico (United Mexican States) 7.5% 2027 (MXN)	1,329
Long Gilt Bond Dec 2013 <sup>[a]</sup>	1,096
Long Gilt Bond Sep 2013 <sup>[a]</sup>	1,090
Embraer Overseas 5.696% 2023 (\$)	949
Columbia (Republic of) 7% 2022 (COP)	812
EP Energy 5.875% 2019 (\$)	778
Anadolu EFES 3.375% 2022 (\$)	708
Perusahaan Pener 6.125% 2019 (\$)	663
Korea (Republic of) 3.875% 2023 (KRW)	633
Bolivia (Republic of) 5.95% 2023 (\$)	628
Brazil (Federal Republic of) 4.25% 2025 (\$)	617
Pacific Rubiales 5.375% 2019 (\$)	608
Israel Electric 7.25% 2019 (\$)	534
Petroleos Mexicanos 4.875% 2024 (\$)	524
JSC Kazmunaygas 4.4% 2023 (\$)	486
Iceland (Republic of) 5.875% 2022 (\$)	474
VEB Finance 5.942 SNR MTM 2023 (\$)	466
Gabonese Republic 6.375% 2024 (\$)	459
Northern Trust Global Fund - US dollar <sup>[b]</sup>	13,288
Other purchases	7,470
<b>Total purchases</b>	<b>40,652</b>
<b>Largest sales</b>	<b>£'000</b>
US 10 Year Note Dec 2013 <sup>[a]</sup>	5,523
US 10 Year Note Mar 2014 <sup>[a]</sup>	5,412
Mexico (United Mexican States) 7.5% 2027 (MXN)	1,275
Long Gilt Bond Mar 2014 <sup>[a]</sup>	1,087
Long Gilt Bond Dec 2013 <sup>[a]</sup>	1,080
Embraer Overseas 6.375% 2020 (\$)	902
Ras Laffen Liquefied Natural Gas III 6.75% 2019 (\$)	819
Ecopetrol 7.625% 2019 (\$)	817
National Bank of Abu Dhabi 3% 2019 (\$)	804
Banco de Crédito del Perú 4.25% 2023 (\$)	730
State Of Qatar 6.4% 2040 (\$)	730
MDC GMTN 5.5% 2021 (\$)	725
Kazmunaygas National 5.75% 2043 (\$)	695
EP Energy 4.375% 2018 (\$)	677
Bolivia (Republic of) 4.875% 2022 (\$)	633
BBVA Banco Continental 3.25% 2018 (\$)	629
Korea (Republic of) 3.875% 2023 (\$)	628
Frigoglass Finance 8.25% 2018 (€)	615
Philippines (Republic of) 6.375% 2034 (\$)	609
Rosneft International 4.199% 2022 (\$)	584
Northern Trust Global Fund - US dollar <sup>[b]</sup>	13,276
Other sales	7,957
<b>Total sales</b>	<b>46,207</b>

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

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

## INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 31 December 2013.

### STATEMENT OF TOTAL RETURN

	2013		2012	
	£'000	£'000	£'000	£'000
Income				
Net capital (losses) / gains		(1,969)		585
Revenue	732		579	
Expenses	(248)		(198)	
Net revenue before taxation	484		381	
Taxation	(8)		(1)	
Net revenue after taxation		476		380
<b>Total return before distributions</b>		<b>(1,493)</b>		<b>965</b>
Finance costs: Distributions		(476)		(381)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(1,969)</b>		<b>584</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>33,742</b>		<b>22,229</b>
Amounts received on issue of shares	3,763		11,087	
Amounts paid on cancellation of shares	(4,395)		(1,896)	
		(632)		9,191
Change in net assets attributable to shareholders from investment activities (see above)		(1,969)		584
Retained distributions on Accumulation shares		175		204
<b>Closing net assets attributable to shareholders</b>		<b>31,316</b>		<b>32,208</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 Emerging Markets Bond Fund

## INTERIM FINANCIAL STATEMENTS (unaudited)

### BALANCE SHEET

	as at 31 December 2013		as at 30 June 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		31,089		34,207
Debtors	499		592	
Cash and bank balances	246		176	
<b>Total other assets</b>		<b>745</b>		<b>768</b>
<b>Total assets</b>		<b>31,834</b>		<b>34,975</b>
<b>Liabilities</b>				
Investment liabilities		(153)		(777)
Creditors				
Net distributions payable on Income shares	(207)		(210)	
Other creditors	(143)		(228)	
Bank overdrafts	(15)		(18)	
<b>Total other liabilities</b>		<b>(365)</b>		<b>(456)</b>
<b>Total liabilities</b>		<b>(518)</b>		<b>(1,233)</b>
<b>Net assets attributable to shareholders</b>		<b>31,316</b>		<b>33,742</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 June 2013. 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 Emerging Markets Bond Fund

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# M&G European Corporate Bond Fund

## AUTHORISED CORPORATE DIRECTOR'S REPORT

### Investment objective of the M&G European Corporate Bond Fund

The Fund aims to maximise total return (the combination of income and growth of capital) while generating a higher level of income than that from European government bonds of similar maturities.

### Investment policy of the M&G European Corporate Bond Fund

The Fund invests mainly in investment grade corporate bonds denominated in any European currency. The Fund may also invest in high yield corporate bonds, government and public securities denominated in any European currency. The Fund's exposure to bonds, government and other public securities may be gained through the use of derivatives. The Fund may also invest in other assets, including collective investment schemes, other transferable securities, cash and near cash, deposits, warrants, money market instruments and other derivative instruments which may be denominated in any major global currency. Any non-European currency exposures within the fund may be managed by currency hedges in European currencies.

### Investment approach

The M&G European Corporate Bond Fund aims to maximise total returns through investing in mainly European investment grade corporate bonds. The fund also has the flexibility to invest in high yield or government bonds. The fund manager believes returns are driven by a combination of macroeconomic, asset, sector, geography and stock-level factors. A dynamic investment approach is followed, allowing the fund manager to change the blend of duration and credit exposure based on his outlook.

The fund has no benchmark, which allows for a flexible and high-conviction investment approach. A high level of diversification, across individual issuers, sectors and geographies is an essential part of the investment process.

An in-house team of independent credit analysts assists the fund manager in individual credit selection along with the monitoring of names held by the fund.

### 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 'X' shares, the nominated share class.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 2 January 2014, for the six months ended 31 December 2013

During the review period, we reduced the portfolio's exposure to government bonds<sup>[a]</sup> that are generally perceived as 'safe', in preference for riskier parts of the fixed interest market. As such, we sold some German government bonds to purchase high yield corporate bonds<sup>[b]</sup>. The portfolio's allocation to this asset class mainly consists of issues from better-quality names such as Lloyds Banking Group, multimedia group Virgin Media, industrial company Matterhorn and insurer American International Group.

The fund's overall exposure to peripheral Europe increased over the review period, with exposures primarily to Spain, Italy and Ireland. For example, we purchased bonds issued by Spanish commercial bank Bankia maturing in 2036. The fund is mainly invested in bonds issued by companies based in economically stronger European countries such as Germany, the UK and France so when investing in the periphery we would prefer companies with geographically diversified revenues.

We view BBB rated credit as offering the most attractive value on a risk/reward basis, with around a third of the portfolio currently invested in these names. During the period, we participated in a new issue of BBB rated bonds maturing in 2043 from The AA, a company that provides breakdown cover and insurance for autos, and Aton, a German mining company.

The portfolio's average maturity, or duration, was increased throughout most of the review period, starting at 3.3 years at the end of March to 3.7 years at the end of December. We believe economic growth in Europe is likely to remain weak, even though the region is stabilising. We therefore think that the European Central Bank will need to keep interest rates low for some time yet. As a result, we took advantage of the attractive valuations created by the market sell-off in May/June 2013 to purchase bonds with a longer maturity date. Nonetheless, the fund's duration remains short relative to the Merrill Lynch EMU Corporate Index as we believe it is a prudent position to take given that interest rates are at very low levels.

**Stefan Isaacs**  
Fund manager

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

<sup>[a]</sup> A bond is a loan in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

<sup>[b]</sup> High yield bonds are interest-bearing loans issued by companies with a low credit rating. They therefore pay a higher rate of interest than their better quality counterparts to compensate investors for the greater possibility that the issuer might be unable to meet its obligations, or in other words, default.

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

# M&G European Corporate Bond Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Third interim	01.04.14	31.05.14
Final	01.07.14	31.08.14
First interim	01.10.14	30.11.14
Second interim	02.01.15	28.02.15

	Interim distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 28.02.14 <sup>[a]</sup>	Acc 02.01.14 <sup>[a]</sup>	31.12.13	30.06.13
<b>Sterling</b>	p	p	%	%
Class 'A'	0.3240	0.4284	1.16	1.16
Class 'I'	6.2320	6.3980	0.66	0.66 <sup>[c]</sup>
Class 'R'	0.5684	0.6040	0.91	0.91 <sup>[c]</sup>
Class 'X'	0.2872	0.3780	1.41	1.41
<b>Euro</b>	¢	¢	%	%
Class 'A'	9.0730	9.1766	1.16	1.16
Class 'C'	n/a	12.1538	0.66	0.66
<b>Swiss franc</b>	¢	¢	%	%
Class 'A-H'	n/a	5.9930	1.19	1.20 <sup>[c]</sup>
Class 'C-H'	n/a	7.3494	0.69	0.70 <sup>[c]</sup>

<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 comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had 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 31.12.13		Net asset value per share as at 30.06.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	70.52	94.10	71.26	94.26	-1.04	-0.17
Class 'I'	1,103.49	1,139.91	1,115.03	1,139.45	-1.03	+0.04
Class 'R'	110.35	113.73	111.50	113.75	-1.03	-0.02
Class 'X'	70.41	92.57	71.15	92.82	-1.04	-0.27
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	15.6920	15.8653	n/a	15.3984	n/a	+3.03
Class 'C'	n/a	17.2651	n/a	16.7150	n/a	+3.29
<b>Swiss franc</b>	CHF	CHF	CHF	CHF	%	%
Class 'A-H'	n/a	10.5627	n/a	10.2664	n/a	+2.89
Class 'C-H'	n/a	10.6308	n/a	10.3076	n/a	+3.14

### PERFORMANCE SINCE LAUNCH

	six months 01.07.13 %	one year 02.01.13 %	five years 02.01.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	-0.5	+4.1	+4.4	+5.9 <sup>[c]</sup>
Class 'I'	-0.3	+4.5	n/a	+9.3 <sup>[d]</sup>
Class 'R'	-0.4	+4.4	n/a	+9.1 <sup>[d]</sup>
Class 'X'	-0.6	+3.9	+4.2	+5.7 <sup>[c]</sup>
<b>Euro <sup>[e]</sup></b>				
Class 'A'	+3.2	+2.7	+8.2	+4.3 <sup>[c]</sup>
Class 'C'	+3.4	+3.2	+8.8	+5.1 <sup>[c]</sup>
<b>Swiss franc <sup>[e]</sup></b>				
Class 'A-H'	+3.0	+2.6	n/a	+4.5 <sup>[f]</sup>
Class 'C-H'	+3.3	+3.0	n/a	+5.0 <sup>[f]</sup>

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

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

<sup>[c]</sup> 13 January 2003, the launch date of the fund.

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

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

<sup>[f]</sup> 28 September 2012, the launch date of the share class.

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

From To	31.12.12 31.12.13 %	30.12.11 31.12.12 %	31.12.10 30.12.11 %	31.12.09 31.12.10 %	31.12.08 31.12.09 %
<b>Sterling</b>					
Class 'A'	+5.6	+9.5	-1.9	+1.5	+9.2

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

# M&G European Corporate Bond Fund

## FUND STATISTICS

### PRICES

		Income shares		Accumulation shares	
Calendar year		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>					
		p	p	p	p
Class 'A'	2009	71.05	58.13	85.72	68.50
	2010	71.28	63.28	87.72	77.42
	2011	70.55	63.62	88.74	80.18
	2012	69.00	63.12	90.00	80.94
	2013	74.18	68.42	97.48	89.66
	2014 <sup>[a]</sup>	70.15	70.15	93.60	93.60
Class 'I'	2012 <sup>[b]</sup>	1,081.01	1,000.00	1,085.78	1,000.00
	2013	1,161.78	1,070.65	1,178.66	1,081.87
	2014 <sup>[a]</sup>	1,097.64	1,097.64	1,133.76	1,133.76
Class 'R'	2012 <sup>[b]</sup>	108.06	100.00	108.48	100.00
	2013	116.17	107.06	117.66	108.09
	2014 <sup>[a]</sup>	109.76	109.76	113.13	113.13
Class 'X'	2009	70.94	58.03	85.04	68.06
	2010	71.15	63.16	86.85	76.70
	2011	70.41	63.50	87.73	79.35
	2012	68.86	63.02	88.71	79.94
	2013	74.04	68.31	95.97	88.38
	2014 <sup>[a]</sup>	70.04	70.04	92.08	92.08
<b>Euro (gross)</b>					
		€	€	€	€
Class 'A'	2009	n/a	n/a	12.7674	10.5122
	2010	n/a	n/a	13.6789	12.7098
	2011	n/a	n/a	13.7832	13.2270
	2012	n/a	n/a	15.4044	13.6162
	2013	15.8957 <sup>[c]</sup>	15.5285 <sup>[c]</sup>	15.9784	15.3030
	2014 <sup>[a]</sup>	15.6995	15.6995	15.8739	15.8739
Class 'C'	2009	n/a	n/a	13.6157	11.1685
	2010	n/a	n/a	14.6475	13.5573
	2011	n/a	n/a	14.8188	14.2331
	2012	n/a	n/a	16.6767	14.6702
	2013	n/a	n/a	17.3806	16.6100
	2014 <sup>[a]</sup>	n/a	n/a	17.2752	17.2752
<b>Swiss franc (gross)</b>					
		CHF	CHF	CHF	CHF
Class 'A-H'	2012 <sup>[d]</sup>	n/a	n/a	10.2732	10.0000
	2013	n/a	n/a	10.6455	10.2039
	2014 <sup>[a]</sup>	n/a	n/a	10.5687	10.5687
Class 'C-H'	2012 <sup>[d]</sup>	n/a	n/a	10.2896	10.0000
	2013	n/a	n/a	10.7099	10.2443
	2014 <sup>[a]</sup>	n/a	n/a	10.6377	10.6377

<sup>[a]</sup> To 2 January 2014.

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

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

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

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

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

## INCOME

Interest income per share						
	Calendar year	Interims	Distributed Final	Interim	Total	Reinvested
<b>Sterling (net)</b>						
		p	p	p	p	p
Class 'A'	2009	1.3312	0.4109	0.5600	2.3021	2.7152
	2010	0.9640	0.4040	0.5000	1.8680	2.2776
	2011	0.9040	0.4580	0.4400	1.8020	2.2744
	2012	0.8260	0.3720	0.3232	1.5212	1.9536
	2013	0.7048	0.2880	0.2936	1.2864	1.6932
	2014 <sup>[a]</sup>	0.3240	-	-	0.3240	0.4284
Class 'I'	2012	n/a	n/a	4.4392	4.4392	4.4392
	2013	13.3012	5.6600	5.5800	24.5412	24.8627
	2014 <sup>[a]</sup>	6.2320	-	-	6.2320	6.3980
Class 'R'	2012	n/a	n/a	0.3972	0.3972	0.3972
	2013	1.2528	0.5200	0.5020	2.2748	2.3496
	2014 <sup>[a]</sup>	0.5684	-	-	0.5684	0.6040
Class 'X'	2009	1.2701	0.3800	0.5260	2.1761	2.5546
	2010	0.8960	0.3680	0.4700	1.7340	2.0944
	2011	0.8360	0.4280	0.4060	1.6700	2.0756
	2012	0.7592	0.3380	0.2912	1.3884	1.7648
	2013	0.6356	0.2520	0.2568	1.1444	1.4840
	2014 <sup>[a]</sup>	0.2872	-	-	0.2872	0.3780
<b>Euro (gross)</b>						
		€	€	€	€	€
Class 'A'	2009	n/a	n/a	n/a	n/a	49.8534
	2010	n/a	n/a	n/a	n/a	45.2734
	2011	n/a	n/a	n/a	n/a	44.6211
	2012	n/a	n/a	n/a	n/a	41.4915
	2013	n/a	n/a	8.1370	8.1370	35.2124
	2014 <sup>[a]</sup>	9.0730	-	-	9.0730	9.1766
Class 'C'	2009	n/a	n/a	n/a	n/a	58.5264
	2010	n/a	n/a	n/a	n/a	55.3539
	2011	n/a	n/a	n/a	n/a	55.0311
	2012	n/a	n/a	n/a	n/a	52.4129
	2013	n/a	n/a	n/a	n/a	46.6135
	2014 <sup>[a]</sup>	n/a	n/a	n/a	n/a	12.1538
<b>Swiss franc (gross)</b>						
		CHF	CHF	CHF	CHF	CHF
Class 'A-H'	2012	n/a	n/a	n/a	n/a	nil
	2013	n/a	n/a	n/a	n/a	23.0078
	2014 <sup>[a]</sup>	n/a	n/a	n/a	n/a	5.9930
Class 'C-H'	2012	n/a	n/a	n/a	n/a	nil
	2013	n/a	n/a	n/a	n/a	34.7720
	2014 <sup>[a]</sup>	n/a	n/a	n/a	n/a	7.3494

<sup>[a]</sup> Up to interim: ex-distribution date 2 January 2014; payment date 28 February 2014.

# M&G European Corporate Bond Fund

## FUND STATISTICS

NET ASSETS					
	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>					
Class 'A'	Jun 2011	69.76	88.27	28,359,100	299,387,565
	Jun 2012	63.36	82.23	36,922,100	216,086,565
	Jun 2013	71.26	94.26	39,770,100	95,567,565
	Dec 2013	70.52	94.10	12,999,100	101,242,065
Class 'I'	Jun 2013	1,115.03	1,139.45	32,900	9,300
	Dec 2013	1,103.49	1,139.91	2,108,400	72,400
Class 'R'	Jun 2013	111.50	113.75	19,000	1,000
	Dec 2013	110.35	113.73	34,000	1,000
Class 'X'	Jun 2011	69.65	87.27	1,858,097	47,425,951
	Jun 2012	63.26	81.13	1,858,097	39,489,951
	Jun 2013	71.15	92.82	1,919,097	36,173,951
	Dec 2013	70.41	92.57	1,789,097	33,918,951
<b>Euro</b>					
		€	€		
Class 'A'	Jun 2011	n/a	13.5298	n/a	16,802,358
	Jun 2012	n/a	14.2268	n/a	37,370,758
	Jun 2013	n/a	15.3984	n/a	69,521,958
	Dec 2013	15.6920	15.8653	505,000	56,108,658
Class 'C'	Jun 2011	n/a	14.5398	n/a	33,670,653
	Jun 2012	n/a	15.3656	n/a	49,132,253
	Jun 2013	n/a	16.7150	n/a	68,488,753
	Dec 2013	n/a	17.2651	n/a	79,182,953
<b>Swiss franc</b>					
		CHF	CHF		
Class 'A-H'	Jun 2013	n/a	10.2664	n/a	11,408,700
	Dec 2013	n/a	10.5627	n/a	12,822,200
Class 'C-H'	Jun 2013	n/a	10.3076	n/a	3,000
	Dec 2013	n/a	10.6308	n/a	518,800
<b>Total net asset value of sub-fund</b>					
	Period ended	£		€ [a]	
	Jun 2011	975,077,000		1,078,206,000	
	Jun 2012	1,271,637,000		1,577,215,000	
	Jun 2013	2,135,799,000		2,489,570,000	
	Dec 2013	2,144,031,000		2,573,634,000	

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

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'AAA' credit rated bonds</b>			
€3,500,000 European Investment Bank 2.25% 2022	2,938	0.14	
£1,000,000 European Investment Bank 3% 2015	1,041	0.05	
€20,000,000 Germany (Federal Republic of) 1.75% IL 2020	20,147	0.94	
€13,835,000 Germany (Federal Republic of) 3.25% 2020	12,905	0.60	
€26,500,000 Germany (Federal Republic of) 3.5% 2016	23,521	1.10	
€233,000,000 Germany (Federal Republic of) 3.75% 2019	220,757	10.30	
€3,200,000 Germany (Federal Republic of) 5.5% 2031	3,715	0.17	
€10,000,000 Grand Harbour FRN 2026 (1.629%) [a]	8,289	0.39	
€20,000,000 Johnson & Johnson 4.75% 2019	19,610	0.91	
£10,000,000 Johnson & Johnson 5.5% 2024	11,751	0.55	
€11,429,000 Microsoft 2.125% 2021	9,427	0.44	
€2,539,000 Microsoft 2.625% 2033	1,908	0.09	
£14,958,000 Rochester Financing No.1 plc FRN 2046	14,962	0.70	
<b>'AA' credit rated bonds</b>			
€5,400,000 CaixaBank 3% 2018	4,667	0.22	7.05
€5,000,000 CaixaBank 3.625% 2021	4,354	0.20	9.30
€10,000,000 Deutsche Bahn Finance 4.375% 2021	9,609	0.45	
€3,400,000 Enxsis 1.875% 2020	2,779	0.13	
€1,645,000 Fastnet Securities FRN 2053	1,373	0.06	
€5,725,000 Fingrid 3.5% 2024	4,992	0.23	
€2,000,000 GE Capital European Funding 3.625% 2017	1,781	0.08	
€1,500,000 GE Capital European Funding 4.625% 2027	1,423	0.07	
€1,500,000 GE Capital European Funding 6.025% 2038	1,634	0.08	
€3,300,000 GE Capital Trust IV Var. Rate 2066 (4.625%)	2,811	0.13	
£4,000,000 GE Capital UK Funding 5.875% 2033	4,667	0.22	
\$5,000,000 General Electric Capital 5.3% 2021	3,379	0.16	
€1,600,000 Kutxabank 3% 2017	1,385	0.06	
€4,095,000 MetLife Global Funding 2.375% 2019	3,463	0.16	
€8,000,000 MetLife Global Funding 4.625% 2017	7,393	0.34	
£8,000,000 Natixis 5.875% 2020	9,102	0.42	
€5,350,000 New York Life Global Funding 4.375% 2017	4,891	0.23	
\$5,000,000 Nordea Bank 4.875% 2021	3,328	0.16	
€4,600,000 Novartis Finance 4.25% 2016	4,159	0.19	
€2,772,324 Paragon Mortgages No.8 FRN 2035 'A2B'	2,126	0.10	
€3,200,000 Pfizer 4.75% 2016	2,917	0.14	
€2,500,000 Pfizer 5.75% 2021	2,569	0.12	
€2,500,000 Procter & Gamble 2% 2022	2,014	0.09	
€13,000,000 Procter & Gamble 4.5% 2014	10,983	0.51	
€5,000,000 Rabobank Nederland 4% 2022	4,558	0.21	
€4,100,000 Rabobank Nederland 4.125% 2025	3,725	0.17	
€1,600,000 Rabobank Nederland 4.75% 2018	1,501	0.07	
€6,000,000 Réseau Ferré de France 5.5% 2021	6,907	0.32	
€2,125,000 Roche Holdings 6.5% 2021	2,271	0.11	
\$1,000,000 Roche Holdings 7% 2039	790	0.04	
€2,500,000 Shell International Finance 4.375% 2018	2,350	0.11	
€7,972,631 Sunrise SRL FRN 2031	6,545	0.31	
£15,000,000 Svenska Handelsbanken 2.75% 2022	13,910	0.65	
€11,000,000 Wal-Mart Stores 4.875% 2029	10,925	0.51	

# M&G European Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'A' credit rated bonds</b>			
		<b>22.10</b>	<b>23.37</b>
\$3,570,000 ABN AMRO Bank 4.25% 2017	2,316	0.11	
€7,879,340 Aire Valley Mortgages FRN 2066	6,326	0.30	
€12,000,000 Allianz Finance II Var. Rate 2041 (5.75%)	11,200	0.52	
€5,108,000 America Movil 3% 2021	4,316	0.20	
€10,000,000 America Movil 4.125% 2019	9,166	0.43	
\$10,000,000 Anheuser Busch 8.2% 2039	8,837	0.41	
£1,000,000 ASIF II 6.375% 2020	1,173	0.05	
£5,575,000 ASIF III Jersey 5% 2018	6,143	0.29	
€8,890,000 AT&T 3.55% 2032	7,080	0.33	
£5,000,000 AT&T 5.875% 2017	5,572	0.26	
€15,000,000 Banco Bilbao Vizcaya Argentaria 3.5% 2017	13,357	0.62	
€8,000,000 Banco Bilbao Vizcaya Argentaria 3.5% 2020	7,017	0.33	
€1,700,000 Banco Bilbao Vizcaya Argentaria 4.75% 2016	1,519	0.07	
\$5,000,000 Bank of America 5.3% 2017	3,324	0.16	
£3,000,000 Bank of America 6.125% 2021	3,448	0.16	
€1,600,000 Bank of America 7% 2016	1,518	0.07	
€6,000,000 Bankinter 2.75% 2016	5,150	0.24	
€18,000,000 Bankinter 3.125% 2018	15,572	0.73	
£5,000,000 BAT International Finance 7.25% 2024	6,300	0.29	
€4,100,000 BG Energy Capital 3.625% 2019	3,704	0.17	
€6,000,000 BP Capital Markets 2.994% 2019	5,279	0.25	
€3,000,000 CEZ 4.5% 2020	2,799	0.13	
€2,500,000 CEZ 4.875% 2025	2,382	0.11	
€3,287,000 CEZ 5.75% 2015	2,922	0.14	
€9,000,000 Citigroup 5% 2019	8,603	0.40	
€5,000,000 Citigroup 7.375% 2019	5,298	0.25	
€19,000,000 Cloverie Var. Rate 2039 (7.5%)	18,878	0.88	
€8,500,000 Cloverie Var. Rate 2042 (6.625%)	8,519	0.40	
£5,000,000 Daimler International Finance 3.5% 2019	5,146	0.24	
\$5,000,000 Danske Bank 3.875% 2016	3,188	0.15	
£3,000,000 DnB NOR Bank 4.25% 2020	3,161	0.15	
€2,390,369 Eddystone Finance FRN 2021	1,942	0.09	
€5,000,000 EDF 4% 2025	4,501	0.21	
€2,500,000 EDF 4.125% 2027	2,264	0.11	
€1,500,000 EDF 6.25% 2021	1,563	0.07	
€4,800,000 Elia System Operator 3.25% 2028	3,947	0.18	
€4,000,000 Elm Var. Rate Perp. (5.25%)	3,482	0.16	
€1,990,000 EnBW International 6.125% 2039	2,162	0.10	
€7,000,000 Eni 3.75% 2025	6,007	0.28	
€1,050,000 Fortum 6% 2019	1,046	0.05	
€4,600,000 GDF Suez 5.95% 2111	4,774	0.22	
€1,050,000 GIE Suez Alliance 5.75% 2023	1,086	0.05	
\$5,000,000 GlaxoSmithKline 6.375% 2038	3,711	0.17	
€1,850,000 Goldman Sachs Group 4.5% 2016	1,655	0.08	
€2,000,000 Goldman Sachs Group 5.125% 2019	1,901	0.09	
€800,000 Goldman Sachs Group FRN 2015	664	0.03	
£1,082,166 Granite Master Issuer 05-2 FRN 2054 'A7'	1,073	0.05	
£1,288,293 Granite Master Issuer 07-2 FRN 2054 '4A2'	1,275	0.06	
€3,680,000 Granite Master Issuer FRN 2054 05-1B2	2,944	0.14	
€2,600,000 Granite Master Issuer FRN 2054 06-1XB4	2,079	0.10	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'A' credit rated bonds (continued)</b>			
£3,000,000 Granite Master Issuer FRN 2054 06-1XM3	2,825	0.13	
£500,000 Granite Master Issuer FRN 2054 06-2M4	469	0.02	
\$1,250,000 Granite Master Issuer FRN 2054 06-3M2	684	0.03	
£4,328,666 Granite Master Issuer FRN 2054 06-4A8	4,284	0.20	
£1,481,537 Granite Master Issuer FRN 2054 06-A6	1,466	0.07	
£3,500,000 Granite Master Issuer FRN 2054 07-13M2	3,290	0.15	
€1,600,000 Granite Master Issuer FRN 2054 07-23B2	1,277	0.06	
£818,687 Granite Mortgages FRN 2044 04-3A2	813	0.04	
£4,979,831 Great Hall Mortgages FRN 2038	4,700	0.22	
€5,000,000 Hannover Finance Luxembourg Var. Rate 2024 (5.75%)	4,162	0.19	
€5,000,000 Hannover Finance Luxembourg Var. Rate 2040 (5.75%)	4,644	0.22	
€1,300,000 Hannover Finance Luxembourg Var. Rate 2043 (5%)	1,140	0.05	
€3,000,000 Hannover Finance Luxembourg Var. Rate Perp. (5%)	2,568	0.12	
£2,000,000 Heathrow Funding Var. Rate 2025 (5.225%)	2,165	0.10	
£3,000,000 HSBC Bank Var. Rate 2023 (5%)	3,149	0.15	
£2,500,000 HSBC Bank Var. Rate Perp. (5.862%)	2,666	0.12	
£3,000,000 HSBC Holdings 4.75% 2046	2,793	0.13	
£4,100,000 HSBC Holdings Var. Rate 2022 (6.375%)	4,538	0.21	
€11,369,000 Industrial Bank of Korea 2% 2018	9,360	0.44	
\$5,000,000 ING Bank 3.75% 2017	3,193	0.15	
€3,500,000 ING Bank 4.5% 2022	3,295	0.15	
€6,857,000 JPMorgan Chase 2.875% 2028	5,480	0.26	
\$3,000,000 JPMorgan Chase 6.3% 2019	2,123	0.10	
€5,800,000 JPMorgan Chase Var. Rate 2019 (4.375%)	4,904	0.23	
€13,000,000 JPMorgan Chase Var. Rate 2021 (4.375%)	11,250	0.52	
\$6,600,000 Legrande France 8.5% 2025	5,157	0.24	
€2,000,000 McDonald's 2.375% 2024	1,580	0.07	
€4,400,000 McDonald's 2.875% 2025	3,626	0.17	
\$8,368,835 Mitchells & Butlers Finance FRN 2030	4,506	0.21	
£2,000,000 Mitchells & Butlers Finance FRN 2033	1,595	0.07	
€2,500,000 Morgan Stanley 3.75% 2017	2,228	0.10	
€2,000,000 Morgan Stanley 5% 2019	1,905	0.09	
€5,100,000 Morgan Stanley 5.375% 2020	4,952	0.23	
€800,000 Morgan Stanley 6.5% 2018	803	0.04	
€2,500,000 Morgan Stanley FRN 2016	2,060	0.10	
€4,000,000 Munich Re Finance Var. Rate 2041 (6%)	3,851	0.18	
€11,700,000 Munich Re Finance Var. Rate 2042 (6.25%)	11,443	0.53	
\$5,000,000 Nationwide Building Society 6.25% 2020	3,468	0.16	
€5,000,000 Parker-Hannifin 4.125% 2015	4,389	0.20	
€5,000,000 Philip Morris International 2.875% 2024	4,154	0.19	
€10,400,000 Principal Financial Global Funding II 4.5% 2017	9,398	0.44	
€2,017,945 RMAC 2005-Ns1 FRN 2037 'A2C'	1,533	0.07	
€1,188,773 RMAC 2005-Nsp2 FRN 2037 'A2C'	926	0.04	
£16,372,115 RMAC 2006-Ns4 FRN 2044 'A3A'	14,912	0.70	
€7,000,000 Royal Bank of Scotland 5.375% 2019	6,727	0.31	
€8,571,000 SBAB Bank 1.375% 2018	7,045	0.33	
€1,500,000 Standard Chartered 3.625% 2022	1,214	0.06	
€4,975,000 Standard Chartered 4% 2025	4,107	0.19	

# M&G European Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'A' credit rated bonds (continued)</b>			
€7,865,000 Statkraft 2.5% 2022	6,427	0.30	
€8,400,000 Sumitomo Mitsui Banking 2.75% 2023	6,882	0.32	
\$4,485,000 Swiss Re Capital I Var. Rate Perp. (6.854%)	2,865	0.13	
€5,200,000 TeliaSonera 3% 2027	4,185	0.20	
€2,290,000 Telstra 3.5% 2022	2,023	0.09	
€1,300,000 TenneT 4.5% 2022	1,230	0.06	
€3,470,000 Teva Pharmaceutical Finance IV 2.875% 2019	2,988	0.14	
£9,678,000 Thames Water Utilities Cayman 7.241% 2058	11,245	0.53	
€5,000,000 UniCredit Bank Austria 2.625% 2018	4,225	0.20	
€3,230,000 Vier Gas Transport 3.125% 2023	2,749	0.13	
€3,833,000 Wells Fargo 2.25% 2023	3,082	0.14	
		<b>30.97</b>	<b>32.27</b>
<b>'BBB' credit rated bonds</b>			
£8,000,000 AA Bond Company 4.2487% 2043	7,850	0.37	
€11,000,000 ABN AMRO Bank 6.375% 2021	10,585	0.49	
€2,600,000 ABN AMRO Bank FRN 2017	2,146	0.10	
€1,287,000 Acea 3.75% 2018	1,136	0.05	
€2,755,000 Achmea Var. Rate 2043 (6%)	2,475	0.12	
€3,820,000 Aeroporti di Roma 3.25% 2021	3,212	0.15	
€5,000,000 Akzo Nobel 4% 2018	4,570	0.21	
\$322,000 Altria Group 10.2% 2039	302	0.02	
\$1,394,000 Altria Group 9.95% 2038	1,287	0.06	
€9,167,000 America Movil Var. Rate 2073 (6.375%)	8,181	0.38	
€10,000,000 American International Group 5.75% 2067	9,863	0.46	
€8,100,000 American International Group Var. Rate 2067 (4.875%)	6,687	0.31	
£5,000,000 Anglo American Capital 6.875% 2018	5,678	0.27	
\$4,100,000 Anglo American Capital 9.375% 2014	2,531	0.12	
€2,500,000 Areva 3.25% 2020	2,126	0.10	
€3,300,000 Areva 3.5% 2021	2,837	0.13	
€3,200,000 Areva 4.875% 2024	2,926	0.14	
€1,400,000 Assicurazioni Generali Var. Rate 2042 (7.75%)	1,339	0.06	
£400,000 Atlantia 6.25% 2022	441	0.02	
€2,366,000 Aviva Var. Rate 2043 (6.125%)	2,184	0.10	
€6,043,000 AXA Var. Rate 2043 (5.125%)	5,286	0.25	
€5,000,000 Bank of America Var. Rate 2018 (0.827%)	3,907	0.18	
£600,000 Bank of Scotland Var. Rate Perp. (7.281%)	618	0.03	
€7,400,000 Bankia 4.125% 2036	5,112	0.24	
£1,000,000 Barclays Bank 10% 2021	1,291	0.06	
€8,000,000 Barclays Bank 6.625% 2022	7,845	0.37	
£8,000,000 Barclays Bank FRN Perp. (5.6375%)	5,287	0.25	
€8,000,000 Bayer Var. Rate 2105 (5%)	6,926	0.32	
€5,100,000 BBVA Senior Finance 3.75% 2018	4,507	0.21	
£3,000,000 BG Energy Capital Var. Rate 2072 (6.5%)	3,282	0.15	
\$5,000,000 BG Energy Capital Var. Rate 2072 (6.5%) B72	3,318	0.16	
€1,000,000 BNP Paribas 4.875% Perp.	803	0.04	
€1,000,000 BNP Paribas Var. Rate Perp. (4.73%)	863	0.04	
\$2,000,000 British Sky Broadcasting Group 6.1% 2018	1,379	0.06	
\$2,000,000 British Sky Broadcasting Group 9.5% 2018	1,579	0.07	
£8,000,000 British Telecommunications Var. Rate 2016 (8.5%)	9,432	0.44	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BBB' credit rated bonds (continued)</b>			
€34,880,000 Channel Link Enterprises Finance FRN 2050	27,750	1.29	
£10,000,000 Citigroup 5.875% 2024	10,720	0.50	
€6,298,000 Citigroup FRN 2017	5,163	0.24	
€1,500,000 Citigroup Var. Rate 2019 (4.75%)	1,230	0.06	
€11,500,000 Citigroup Var. Rate 2030 (4.25%)	9,401	0.44	
€4,091,000 Citycon 3.75% 2020	3,424	0.16	
€6,000,000 Credit Suisse Var. Rate 2025 (5.75%)	5,340	0.25	
€2,468,000 CRH Finance 3.125% 2023	2,038	0.10	
€8,000,000 Danske Bank 3.875% 2023	6,776	0.32	
£5,350,000 Danske Bank Var. Rate 2021 (5.375%)	5,500	0.26	
€3,000,000 Delta Lloyd Levensverzekering Var. Rate 2042 (9%)	3,005	0.14	
€1,818,000 Deutsche Annington Immobilien 3.625% 2021	1,555	0.07	
€9,100,000 Deutsche Telekom International Finance 5.375% 2021	8,965	0.42	
€2,100,000 Deutsche Telekom International Finance 6% 2017	1,997	0.09	
\$8,000,000 Deutsche Telekom International Finance 8.75% 2030	6,777	0.32	
€3,000,000 DONG Energy 4.875% 2021	2,883	0.14	
€8,300,000 EDF Var. Rate Perp. (4.25%)	7,143	0.33	
€5,914,000 Elenia Finance 2.875% 2020	4,880	0.23	
€7,040,000 EnBW Var. Rate 2072 (7.375%)	6,546	0.31	
€2,500,000 Enel Finance International 4.875% 2020	2,308	0.11	
€2,280,000 Enel Finance International 5% 2022	2,102	0.10	
\$4,000,000 Enel Finance International 6.25% 2017	2,697	0.13	
€5,000,000 Erste Group Bank 7.125% 2022	4,797	0.22	
£4,000,000 FirstGroup 6.125% 2019	4,297	0.20	
€1,587,000 France Telecom 8.125% 2033	1,956	0.09	
£2,000,000 Friends Life 8.25% 2022	2,175	0.10	
€5,500,000 Gas Natural Fenosa 3.875% 2023	4,788	0.22	
£10,000,000 Gatwick Funding 5.25% 2024	10,703	0.50	
€8,599,000 Gelf Bond Issuer 3.125% 2018	7,363	0.34	
€2,500,000 Generali Finance Var. Rate Perp. (5.479%)	2,077	0.10	
€6,428,000 Glencore Finance Europe 3.375% 2020	5,527	0.26	
€50,000 Glencore Finance Europe 5.25% 2017	46	0.00	
\$3,000,000 Glencore Finance Europe 7.5% Perp.	1,972	0.09	
€6,000,000 Granite Master Issuer FRN 2054 05-2C2	4,665	0.22	
\$2,000,000 Granite Master Issuer FRN 2054 06-4C1	1,038	0.05	
\$3,000,000 Granite Master Issuer FRN 2054 07-11C1	1,533	0.07	
€2,200,000 Granite Master Issuer FRN 2054 07-2 2C2	1,697	0.08	
\$1,000,000 Granite Master Issuer FRN 2054 07-22C1	525	0.02	
€1,500,000 Granite Master Issuer FRN 2054 07-23C2	1,163	0.05	
£6,654,000 Heathrow Funding 6% 2020	7,324	0.34	
£8,000,000 Heathrow Funding 6.25% 2018	8,953	0.42	
£686,000 Heathrow Funding 7.125% 2024	806	0.04	
€5,000,000 Henkel Var. Rate 2104 (5.375%)	4,423	0.21	
£166,000 HSBC Capital Funding Var. Rate Perp. (8.208%)	178	0.01	
€5,800,000 HSBC Capital Funding Var. Rate Perp. No.2 (5.3687%)	4,844	0.23	
€11,900,000 Iberdrola International 3.5% 2021	10,391	0.48	
£1,600,000 Imperial Tobacco Finance 5.5% 2016	1,754	0.08	
€3,865,000 Intesa Sanpaolo 3% 2019	3,242	0.15	
€3,696,000 Intesa Sanpaolo 4% 2017	3,250	0.15	
\$7,000,000 Intesa Sanpaolo 6.5% 2021	4,609	0.21	



# M&G European Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BBB' credit rated bonds (continued)</b>			
€260,000 Intesa Sanpaolo 6.625% 2021	233	0.01	
€2,000,000 Kabel Deutschland 6.5% 2018	1,758	0.08	
€2,000,000 KPN 3.25% 2021	1,688	0.08	
€14,000,000 LBG Capital No.2 6.385% 2020	12,305	0.57	
€17,150,000 Legal & General Group Var. Rate 2025 (4%)	14,738	0.69	
£2,000,000 Legal & General Group Var. Rate Perp. (6.385%)	2,120	0.10	
€3,000,000 Leo-Mesdag FRN 2019	2,362	0.11	
£4,000,000 Lloyds Bank (formerly Lloyds TSB Bank) 7.625% 2025	4,688	0.22	
£13,434,000 Lloyds Bank (formerly Lloyds TSB Bank) Var. Rate 2020 (6.9625%)	14,017	0.65	
€10,000,000 Lloyds Bank (formerly Lloyds TSB Bank) Var. Rate 2021 (11.875%)	10,367	0.48	
€1,575,000 Lloyds Bank (formerly Lloyds TSB Bank) Var. Rate 2024 (10.375%)	1,678	0.08	
\$5,000,000 Lorillard Tobacco 6.875% 2020	3,486	0.16	
€5,000,000 Mondeléz International 2.375% 2021	4,115	0.19	
£2,000,000 National Westminster Bank 6.5% 2021	2,148	0.10	
€15,500,000 Nationwide Building Society 6.75% 2020	15,166	0.71	
€5,000,000 Nationwide Building Society Var. Rate 2023 (4.125%)	4,320	0.20	
£4,000,000 NEXT 5.375% 2021	4,378	0.20	
£5,000,000 NEXT 5.875% 2016	5,522	0.26	
€5,048,000 NGG Finance Var. Rate 2076 (4.25%)	4,284	0.20	
€12,000,000 Nordenia Holdings 9.75% 2017	10,797	0.50	
€10,955,000 Origin Energy Finance 2.5% 2020	8,914	0.42	
€3,375,000 Origin Energy Finance 2.875% 2019	2,846	0.13	
£6,900,000 Petróleos Mexicanos 8.25% 2022	8,463	0.40	
€7,458,000 Prologis 3% 2022	6,117	0.29	
€9,000,000 ProLogis International Funding II 2.75% 2018	7,523	0.35	
\$2,700,000 Qwest 6.875% 2033	1,560	0.07	
\$1,600,000 Qwest 7.5% 2014	1,016	0.05	
€5,900,000 Raiffeisen Bank International 6% 2023	5,028	0.23	
\$2,000,000 Reed Elsevier Capital 8.625% 2019	1,519	0.07	
€2,500,000 Rentokil Initial 4.625% 2014	2,098	0.10	
\$6,500,000 Rhodia 6.875% 2020	4,357	0.20	
CHF1,000,000 Royal Bank of Scotland 2.375% 2015	681	0.03	
€5,000,000 Royal Bank of Scotland 6.934% 2018	4,720	0.22	
£900,000 Santander International 3.16% 2015	914	0.04	
€9,000,000 SES 4.625% 2020	8,404	0.39	
€2,000,000 SES 4.75% 2021	1,883	0.09	
€4,500,000 SES 4.875% 2014	3,826	0.18	
€1,895,000 Snam 3.875% 2018	1,705	0.08	
€2,970,000 Snam 5% 2019	2,806	0.13	
€1,000,000 Société Générale Var. Rate Perp. (9.375%)	992	0.05	
€4,941,000 Solvay Finance Var. Rate 2104 (6.375%)	4,482	0.21	
£5,000,000 Spain (Kingdom of) 5.25% 2029	4,728	0.22	
€5,000,000 SSE Var. Rate Perp. (5.025%)	4,314	0.20	
€1,765,000 TDC 3.75% 2022	1,571	0.07	
€2,000,000 Telefónica Emisiones 4.71% 2020	1,844	0.09	
€900,000 Telefónica Emisiones 4.75% 2017	819	0.04	
£2,000,000 Telefónica Emisiones 5.375% 2018	2,148	0.10	
€3,000,000 Terna Rete Elettrica Nazionale 4.75% 2021	2,830	0.13	
£1,600,000 Thames Water Utilities Cayman Var. Rate 2030 (5.75%)	1,731	0.08	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BBB' credit rated bonds (continued)</b>			
£2,800,000 Time Warner Cable 5.25% 2042	2,229	0.10	
\$2,500,000 Time Warner Cable 7.3% 2038	1,511	0.07	
\$700,000 Time Warner Entertainment 8.375% 2033	463	0.02	
\$8,000,000 UBS 4.75% 2023	4,827	0.23	
€2,613,000 Unicredit Var. Rate 2025 (5.75%)	2,223	0.10	
€6,300,000 Uniqa Insurance Var. Rate 2043 (6.875%)	5,609	0.26	
€6,950,000 Urenco Finance 4% 2017	6,206	0.29	
€4,100,000 Vattenfall Treasury Var. Rate Perp. (5.25%)	3,551	0.17	
\$9,259,000 Verizon Communications 4.5% 2020	5,981	0.28	
€3,300,000 Verizon Wireless Capital 8.75% 2015	3,166	0.15	
€6,000,000 Vivendi 2.5% 2020	4,926	0.23	
€5,000,000 Vivendi 4.125% 2017	4,517	0.21	
€2,400,000 Vivendi 7.75% 2014	2,019	0.09	
€5,000,000 Volkswagen International Finance Var. Rate Perp. (3.875%)	4,317	0.20	
€8,182,000 Watercraft Capital 5.756% 2034	6,237	0.29	
£5,000,000 Western Power Distribution 5.25% 2023	5,420	0.25	
€4,091,000 WPP 3% 2023	3,340	0.16	
£3,036,000 Yorkshire Water Services Var. Rate 2025 (6%)	3,322	0.15	
		<b>6.00</b>	<b>5.54</b>
<b>'BB' credit rated bonds</b>			
€8,023,555 AyT Hipotecario Mixto FRN 2041	5,583	0.26	
\$4,000,000 Bank of America Var. Rate Perp. (8.125%)	2,699	0.13	
\$5,000,000 Citigroup Var. Rate Perp. (5.95%)	2,796	0.13	
€6,000,000 Commerzbank 4.125% 2016	4,735	0.22	
€5,500,000 Commerzbank 7.75% 2021	5,269	0.25	
\$4,138,000 Credit Suisse Var. Rate Perp. (7.5%)	2,641	0.12	
£1,290,000 Daily Mail & General Trust 10% 2021	1,668	0.08	
£5,600,000 Daily Mail & General Trust 5.75% 2018	6,050	0.28	
£2,000,000 Daily Mail & General Trust 6.375% 2027	2,107	0.10	
\$1,400,000 Dresdner Funding Trust I 8.151% 2031	878	0.04	
\$1,000,000 Dufry Finance 5.5% 2020	620	0.03	
€5,000,000 Fiat Finance & Trade 6.25% 2018	4,721	0.22	
£2,500,000 Finmeccanica Finance 8% 2019	2,796	0.13	
\$1,200,000 Fresenius Medical Care 6.875% 2017	824	0.04	
£1,575,000 GKN Holdings 5.375% 2022	1,636	0.08	
£3,500,000 GKN Holdings 6.75% 2019	3,957	0.19	
€4,500,000 Greif Luxembourg Finance 7.375% 2021	4,374	0.20	
€8,000,000 KPN Var. Rate Perp. (6.125%)	7,023	0.33	
£3,500,000 Ladbrokes Group Finance 7.625% 2017	3,912	0.18	
€3,420,000 Lafarge 4.75% 2020	3,001	0.14	
€954,000 Lafarge 8.875% 2014	818	0.04	
\$1,000,000 Meccanica Holdings 6.25% 2019	624	0.03	
€900,000 OI European Group 4.875% 2021	784	0.04	
€5,007,000 OI European Group 6.75% 2020	4,842	0.23	
€2,500,000 Rexam Var. Rate 2067 (6.75%)	2,219	0.10	
€4,000,000 Royal Bank of Scotland 5.125% Perp.	3,083	0.14	
\$3,529,000 Royal Bank of Scotland 6.1% 2023	2,167	0.10	
\$4,050,000 Sappi Papier Holding 8.375% 2019	2,665	0.12	
€6,000,000 Smurfit Kappa Acquisitions 7.75% 2019	5,453	0.25	
\$4,000,000 Sprint Corporation 7.875% 2023	2,551	0.12	
CHF5,275,000 Sunrise Communications International 5.625% 2017	3,729	0.17	
€3,000,000 Telecom Italia 7% 2017	2,794	0.13	
£3,000,000 Telecom Italia 7.375% 2017	3,297	0.15	
€500,000 Telecom Italia 7.75% 2033	456	0.02	

# M&G European Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BB' credit rated bonds (continued)</b>			
€1,818,000 Unitymedia Hessen 5.625% 2023	1,538	0.07	
€1,826,000 Unitymedia Hessen 7.5% 2019	1,652	0.08	
€2,000,000 UPCB Finance 7.625% 2020	1,800	0.08	
€5,250,000 UPCB Finance II 6.375% 2020	4,663	0.22	
£500,000 UPM-Kymmene 6.625% 2017	543	0.03	
£5,000,000 Virgin Media Secured Finance 5.5% 2021	5,009	0.23	
£10,318,000 Virgin Media Secured Finance 7% 2018	10,689	0.50	
<b>'B' credit rated bonds</b>			
CHF820,000 Aguila 3 7.875% 2018	582	0.03	1.04
€5,760,000 Ardagh Packaging Finance 7.375% 2017	5,136	0.24	
€2,000,000 Ardagh Packaging Finance USA 7.375% 2017	1,784	0.08	
€1,364,000 Bank of Ireland 10% 2020	1,315	0.06	
€3,200,000 Catalent Pharma Solutions 9.75% 2017	2,754	0.13	
£788,000 Elli Finance UK 8.75% 2019	870	0.04	
£2,000,000 Gala Group Finance 8.875% 2018	2,148	0.10	
£1,000,000 Iron Mountain 7.25% 2014	1,001	0.05	
CHF5,000,000 Matterhorn Mobile 6.75% 2019	3,673	0.17	
€3,400,000 Telenet Finance 6.375% 2020	3,045	0.14	
€1,000,000 Telenet Finance III 6.625% 2021	897	0.04	
\$273,000 Tenet Healthcare 6% 2020	172	0.01	
<b>'CCC' credit rated bonds</b>			
€1,500,000 Leopard FRN 2023	750	0.03	0.03
<b>Bonds with no credit rating</b>			
\$10,000,000 American Tower Trust I 3.07% 2048	5,662	0.26	6.97
£500,000 Anglian Water (Osprey) Finance 7% 2018	539	0.03	
€9,524,000 ATON 3.875% 2018	7,961	0.37	
\$2,000,000 Banco Bilbao Vizcaya Argentaria 9% Perp.	1,306	0.06	
€3,000,000 Banco Santander 3.625% 2017	2,662	0.12	
€1,500,000 Banco Santander 4.375% 2015	1,298	0.06	
€1,832,000 Bank of Ireland 10% 2016	1,625	0.08	
€5,298,000 Bank of Ireland Mortgage Bank 3.125% 2015	4,559	0.21	
€5,808,000 Bank of Ireland Mortgage Bank 3.625% 2020	4,977	0.23	
£2,500,000 Barclays Bank 9.5% 2021	3,146	0.15	
€4,900,000 Bureau Veritas 3.75% 2017	4,263	0.20	
€7,500,000 Christian Dior 4% 2016	6,585	0.31	
\$4,000,000 Credit Suisse Guernsey Var. Rate 2041 (7.875%)	2,638	0.12	
€6,643,000 Credito Emiliano 3.25% 2020 (7.589%)	5,657	0.26	
€1,572,000 Davide Campari-Milano 4.5% 2019	1,385	0.06	
€16,400,000 Davide Campari-Milano 5.375% 2016	14,776	0.69	
€1,230,000 EWE 5.25% 2021	1,191	0.06	
€8,437,000 German Residential Funding FRN 2024 '1'	7,050	0.33	
€9,953,920 German Residential Funding FRN 2024 'A'	8,378	0.39	
£3,499,899 Gosforth Funding FRN 2049 A1	3,502	0.16	
€3,700,000 Hammerson 2.75% 2019	3,146	0.15	
€7,698,000 ICAP Group Holdings 7.5% 2014	6,587	0.31	
€2,600,000 Imerys 2.5% 2020	2,136	0.10	
£10,000,000 John Lewis 8.375% 2019	12,315	0.57	
€2,700,000 Lehman Brothers Holdings 4.25% 2016 <sup>[b]</sup>	0	0.00	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Bonds with no credit rating (continued)</b>			
£4,055,000 Lloyds Bank (formerly Lloyds TSB Bank) 5.125% 2025	4,484	0.21	
£989,000 Lloyds Bank (formerly Lloyds TSB Bank) 7.5% 2024	1,247	0.06	
£3,000,000 Lloyds Bank (formerly Lloyds TSB Bank) FRN 2016	2,914	0.14	
€15,000,000 Louis Dreyfus Commodities 3.875% 2018	12,747	0.59	
£3,913,000 Lloyds Bank (formerly Lloyds TSB Bank) 4.875% 2027	4,211	0.20	
£2,850,000 National Express 6.625% 2020	3,243	0.15	
€1,500,000 Nestlé Finance International 1.5% 2019	1,253	0.06	
€10,000,000 Nestlé Finance International 1.75% 2022	7,964	0.37	
€15,652,000 Nestlé Finance International 2.125% 2021	13,099	0.61	
€11,000,000 Old Mutual 8% 2021	11,709	0.55	
€5,000,000 Old Mutual Var. Rate Perp. (6.376%)	4,816	0.22	
€6,100,000 OMV 2.625% 2022	5,103	0.24	
£2,500,000 Segro 5.5% 2018	2,753	0.13	
£800,000 Segro 5.625% 2020	891	0.04	
£1,837,000 Segro 6.75% 2021	2,172	0.10	
€10,000,000 Société Générale 4% 2023	8,318	0.39	
€1,450,000 Suez Environnement 5.5% 2024	1,476	0.07	
€7,500,000 Suez Environnement Var. Rate Perp. (4.82%)	6,463	0.30	
€9,000,000 Svenska Handelsbanken 2.625% 2022	7,557	0.35	
£2,530,000 Svenska Handelsbanken 4% 2019	2,652	0.12	
€10,535,000 Symrise 4.125% 2017	9,416	0.44	
€19,898,763 Taurus 2013 (GMF1) FRN 2024 'A'	16,652	0.78	
€3,400,000 Total Infrastructures Gaz France 4.339% 2021	3,081	0.14	
€1,600,000 TVO 6% 2016	1,485	0.07	
€12,445,000 Unione di Banche 3.125% 2020	10,541	0.49	
€2,600,000 Unione di Banche 5.25% 2121	2,482	0.12	
<b>Credit default swaps</b>			
(15,000,000) Aegon Dec 2017	136	0.01	(0.10)
(5,000,000) Aegon Jun 2018	31	0.00	
(10,000,000) Atlantia Mar 2018	90	0.00	
(5,000,000) Banco Santander Sep 2018	360	0.02	
(5,000,000) Bank of America Jun 2018	(13)	0.00	
5,000,000 Barclays Bank Sep 2016	(66)	0.00	
(10,000,000) BNP Paribas Dec 2017	126	0.01	
(10,000,000) BNP Paribas Sep 2018	709	0.03	
(5,000,000) BP Jun 2023	94	0.00	
(10,000,000) Cooperatieve Centrale Raiffeis Jun 2018	155	0.01	
(10,000,000) Daimler Dec 2022	139	0.01	
(10,000,000) Électricité de France Dec 2017	212	0.01	
(5,000,000) Erste Group Bank Dec 2017	19	0.00	
(10,000,000) Hannover Rueck Jun 2018	164	0.01	
(5,000,000) Heathrow Funding Jun 2018	77	0.00	
(10,000,000) Heathrow Funding Dec 2022	(143)	(0.01)	
(10,000,000) Imperial Tobacco Sep 2020	70	0.00	
(20,000,000) Intesa Sanpaolo Sep 2018	1,261	0.06	
(5,000,000) Intesa Sanpaolo Dec 2018	320	0.02	
(5,000,000) Koninklijke KPN Sep 2017	51	0.00	
(5,000,000) Koninklijke KPN Sep 2018	12	0.00	
(10,000,000) Legal & General Finance Mar 2018	121	0.01	
(5,000,000) Legal & General Finance Jun 2018	55	0.00	
(5,000,000) LHR Airports Jun 2018	77	0.00	
5,000,000 Rexam Dec 2016	(72)	0.00	
(5,000,000) Solvay Dec 2017	86	0.00	

# M&G European Corporate Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Credit default swaps (continued)</b>			
(10,000,000) Swedbank Jun 2018	247	0.01	
(10,000,000) Telefónica Dec 2017	38	0.00	
(5,000,000) UBS Dec 2017	84	0.00	
(5,000,000) Veolia Environnement Dec 2017	50	0.00	
(5,000,000) Volkswagen Dec 2017	116	0.01	
(10,000,000) Volkswagen Jun 2023	130	0.01	
(5,000,000) Xstrata Dec 2017	57	0.00	
<b>Forward currency contracts</b>			
		<b>0.06</b>	<b>0.14</b>
€545,834,742 Bought for £455,763,510 (expires 08.01.14)	(1,028)	(0.05)	
€10,512,703 Bought for CHF12,938,457 (expires 08.01.14)	(28)	0.00	
€111,157 Bought for CHF136,032 (expires 24.01.14)	0	0.00	
€175,692,742 Bought for \$237,396,033 (expires 08.01.14)	2,711	0.13	
CHF140,998,200 Bought for €115,539,940 (expires 24.01.14)	(492)	(0.02)	
€23,717,233 Sold for £19,862,075 (expires 08.01.14)	103	0.00	
\$7,962,298 Bought for €5,793,282 (expires 08.01.14)	(8)	0.00	
<b>Interest rate futures contracts</b>			
		<b>0.26</b>	<b>0.43</b>
(1,746) 10 Year US Treasury Note Mar 2014	2,732	0.13	
300 5 Year US Treasury Note Mar 2014	(301)	(0.01)	
(108) German Euro Bobl Mar 2014	129	0.01	
225 German Euro Buxl Mar 2014	(468)	(0.02)	
(1,101) UK Long Gilt Bond Mar 2014	2,765	0.13	
(280) UK Medium Gilt Mar 2014	375	0.02	
(50) Ultra Long US Treasury Bond Mar 2014	57	0.00	
<b>'AAA' rated money market funds <sup>[c]</sup></b>			
37,394,000 Northern Trust Global Fund - Euro	31,152	1.45	0.94
<b>Portfolio of investments</b>	<b>2,097,577</b>	<b>97.83</b>	<b>98.86</b>
<b>Net other assets</b>	<b>46,454</b>	<b>2.17</b>	<b>1.14</b>
<b>Net assets attributable to shareholders</b>	<b>2,144,031</b>	<b>100.00</b>	<b>100.00</b>

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

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

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

### COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure			Total as at 31.12.13 £'000
	Credit default swaps £'000	Forward currency contracts £'000	Futures £'000	
Barclays Bank	866	0	0	866
BNP Paribas	502	0	0	502
Credit Suisse	1,415	(28)	0	1,387
Deutsche Bank	601	2,703	0	3,304
Goldman Sachs	986	0	0	986
HSBC Bank	0	(520)	0	(520)
J.P.Morgan	423	(405)	0	18
Royal Bank of Scotland	0	0	5,289	5,289
State Street Bank	0	(492)	0	(492)
<b>Total</b>	<b>4,793</b>	<b>1,258</b>	<b>5,289</b>	<b>11,340</b>

### PORTFOLIO TRANSACTIONS

for the six months ended 31 December 2013

Largest purchases	£'000
Germany (Federal Republic of) 3.75% 2019 (€)	228,610
10 Year US Treasury Note Sep 2013 <sup>[a]</sup>	157,392
10 Year US Treasury Note Dec 2013 <sup>[a]</sup>	152,003
UK Long Gilt Bond Dec 2013 <sup>[a]</sup>	120,681
UK Long Gilt Bond Sep 2013 <sup>[a]</sup>	109,059
UK Medium Gilt Sep 2013 <sup>[a]</sup>	30,974
UK Medium Gilt Dec 2013 <sup>[a]</sup>	30,946
Germany (Federal Republic of) 1.5% 2022 (€)	28,476
German Euro Buxl Sep 2013 <sup>[a]</sup>	27,056
German Euro Buxl Mar 2014 <sup>[a]</sup>	26,309
German Euro Buxl Dec 2013 <sup>[a]</sup>	26,306
Germany (Federal Republic of) 4.25% 2018 (€)	24,822
5 Year US Treasury Note Sep 2013 <sup>[a]</sup>	23,862
5 Year US Treasury Note Dec 2013 <sup>[a]</sup>	23,146
5 Year US Treasury Note Mar 2014 <sup>[a]</sup>	22,366
Louis Dreyfus Commodities 3.875% 2018 (€)	17,070
10 Year US Treasury Note Mar 2014 <sup>[a]</sup>	15,273
Rochester Financing No.1 plc FRN 2046 (£)	14,958
Nestlé Finance International 2.125% 2021 (€)	13,178
Procter & Gamble 4.5% 2014 (€)	11,613
Northern Trust Global Fund - Euro <sup>[b]</sup>	192,154
Other purchases	368,099
<b>Total purchases</b>	<b>1,664,353</b>

Largest sales	£'000
10 Year US Treasury Note Dec 2013 <sup>[a]</sup>	155,922
10 Year US Treasury Note Mar 2014 <sup>[a]</sup>	150,455
UK Long Gilt Bond Mar 2014 <sup>[a]</sup>	119,690
UK Long Gilt Bond Dec 2013 <sup>[a]</sup>	108,108
Germany (Federal Republic of) 3.75% 2017 (€)	103,386
Germany (Federal Republic of) 4.25% 2018 (€)	47,602
Germany (Federal Republic of) 4.25% 2014 (€)	34,044
UK Medium Gilt Dec 2013 <sup>[a]</sup>	30,699
UK Medium Gilt Mar 2014 <sup>[a]</sup>	30,668
Germany (Federal Republic of) 1.5% 2022 (€)	28,600
German Euro Buxl Sep 2013 <sup>[a]</sup>	26,684
Germany (Federal Republic of) 2% 2016 (€)	26,470
German Euro Buxl Dec 2013 <sup>[a]</sup>	26,275
5 Year US Treasury Note Sep 2013 <sup>[a]</sup>	23,320
5 Year US Treasury Note Dec 2013 <sup>[a]</sup>	22,525
Germany (Federal Republic of) 3.25% 2020 (€)	16,121
Germany (Federal Republic of) 1.5% IL 2016 (€)	15,397
Bank of America 4.75% 2019 (€)	14,031
US Treasury Note 0.625% 2017 (\$)	12,209
German Euro Bobl Dec 2013 <sup>[a]</sup>	11,244
Northern Trust Global Fund - Euro <sup>[b]</sup>	179,851
Other sales	393,816
<b>Total sales</b>	<b>1,577,117</b>

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

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

# M&G European Corporate Bond Fund

## INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 31 December 2013.

### STATEMENT OF TOTAL RETURN

	2013		2012	
	£'000	£'000	£'000	£'000
Income				
Net capital (losses) / gains		(23,602)		115,793
Revenue	36,604		27,804	
Expenses	(10,285)		(7,118)	
Finance costs: Interest	(7)		(2)	
Net revenue before taxation	26,312		20,684	
Taxation	0		6	
Net revenue after taxation		26,312		20,690
<b>Total return before distributions</b>		<b>2,710</b>		<b>136,483</b>
Finance costs: Distributions		(26,313)		(20,690)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(23,603)</b>		<b>115,793</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>2,135,799</b>		<b>1,271,637</b>
Amounts received on issue of shares	440,467		613,582	
Amounts paid on cancellation of shares	(434,232)		(165,616)	
Stamp Duty Reserve Tax		6,235		447,966
		38		0
Change in net assets attributable to shareholders from investment activities (see above)		(23,603)		115,793
Retained distributions on Accumulation shares		25,562		21,462
<b>Closing net assets attributable to shareholders</b>		<b>2,144,031</b>		<b>1,856,858</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.

## BALANCE SHEET

	as at 31 December 2013		as at 30 June 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		2,100,196		2,115,776
Debtors	42,354		66,635	
Cash and bank balances	8,773		861	
<b>Total other assets</b>		<b>51,127</b>		<b>67,496</b>
<b>Total assets</b>		<b>2,151,323</b>		<b>2,183,272</b>
<b>Liabilities</b>				
Investment liabilities		(2,619)		(4,312)
Creditors				
Net distributions payable on Income shares	(217)		(121)	
Other creditors	(3,311)		(42,672)	
Bank overdrafts	(1,145)		(368)	
<b>Total other liabilities</b>		<b>(4,673)</b>		<b>(43,161)</b>
<b>Total liabilities</b>		<b>(7,292)</b>		<b>(47,473)</b>
<b>Net assets attributable to shareholders</b>		<b>2,144,031</b>		<b>2,135,799</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 June 2013. 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 European High Yield Bond Fund

## AUTHORISED CORPORATE DIRECTOR'S REPORT

### Investment objective of the M&G European High Yield Bond Fund

The Fund aims to maximise total return (the combination of income and growth of capital) while generating a high level of income.

### Investment policy of the M&G European High Yield Bond Fund

The Fund mainly invests in higher yielding debt instruments denominated in any European currency and will normally be managed to give investors exposure to European currencies. The Fund's exposure to higher yielding debt instruments may be gained through the use of derivatives. The Fund may also invest in other assets including collective investment schemes, government and public securities and other transferable securities, cash and near cash, deposits, warrants, money market instruments and other derivative instruments which may be denominated in any major global currency. Any non-European currency exposures within the fund may be managed by currency hedges in European currencies.

### Investment approach

The M&G European High Yield Bond Fund focuses on ongoing proprietary research rather than relying on external credit ratings. Emphasis is placed upon investigating the ability of a company or government to meet its interest payments, especially during unfavourable economic conditions. Credit risk is constantly monitored and typically spread across a variety of countries and industrial sectors. The fund's exposure to higher yielding debt instruments may be gained through the use of derivatives. Exposure to European currencies (mainly the euro) is an integral part of the management approach, and fluctuations in the exchange rates of these currencies against sterling are likely to play a significant role in determining total returns for UK-based investors.

### Risk and reward profile\*



1	2	3	4	5	6	7
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- The above risk number is based on the rate at which the value of the Fund has moved up and down in the past.
- This risk number is based on 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 'X' shares, the nominated share class.

## INVESTMENT ACTIVITIES OVER THE REPORT PERIOD

### As at 2 January 2014, for the six months ended 31 December 2013

The fund's financial exposure grew over the six months as we invested further in some of our favoured banking names, including Commerzbank and Société Générale, as well as Italian insurance group Generali. However, the fund maintains a relatively modest exposure to industrials, where we believe valuations look slightly less compelling.

The fund continues to be predominantly invested in bonds<sup>[a]</sup> issued by companies based in economically stronger European countries such as Germany and the UK, although we will invest in the eurozone periphery on a selective basis. During the period we added to a number of the fund's peripheral names such as Italian carmaker Fiat and Spanish engineering company Gestamp Automoción. The fund also maintained an approximately 9% exposure to US-based companies at the end of the period.

We invested further in an issuance from Mexican cement producer Cemex; the company continues to perform well, and we believe it remains well placed to benefit from the resurgent US housing market. We also took the opportunity to modestly trim a number of positions where valuations had become slightly less compelling following strong performance, such as bonds from cable companies KPN and packaging firm Smurfit Kappa.

The primary market remained buoyant throughout the period with plenty of new issues coming to market. However, we think that many of these new deals still disappoint in terms of their pricing, legal structure and underlying credit quality and we continue to be highly selective when deciding whether to participate. On the other hand, we view the healthy levels of issuance as a positive development for the European high yield market – as it becomes ever deeper and more diverse it will provide an abundance of opportunities for stockpickers.

**James Tomlins**  
Fund manager

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

<sup>[a]</sup> A bond is a loan in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

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

# M&G European High Yield Bond Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Third interim	01.04.14	31.05.14
Final	01.07.14	31.08.14
First interim	01.10.14	30.11.14
Second interim	02.01.15	28.02.15

	Interim distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 28.02.14 <sup>[a]</sup>	Acc 02.01.14 <sup>[a]</sup>	31.12.13	30.06.13
<b>Sterling</b>	p	p	%	%
Class 'A'	0.4756	1.0540	1.44	1.46
Class 'I'	13.8164	14.6892	0.95	0.95 <sup>[c]</sup>
Class 'R'	1.3228	1.4040	1.19	1.20 <sup>[c]</sup>
Class 'X'	0.4748	1.0544	1.44	1.46
<b>Euro</b>	¢	¢	%	%
Class 'A'	33.7827	34.1753	1.44	1.46
Class 'B'	n/a	12.6049	1.93 <sup>[d]</sup>	n/a
Class 'C'	n/a	35.2942	0.94	0.96

<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 comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had not been in existence for a full financial year.

<sup>[d]</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 31.12.13		Net asset value per share as at 30.06.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	43.92	98.58	42.82	94.11	+2.57	+4.75
Class 'I'	1,166.29	1,252.62	1,137.02	1,194.76	+2.57	+4.84
Class 'R'	116.62	125.12	113.70	119.20	+2.57	+4.97
Class 'X'	43.85	98.52	42.75	94.05	+2.57	+4.75
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	24.8915	25.5647	n/a	23.5675	n/a	+8.47
Class 'B'	n/a	10.4922	n/a	n/a	n/a	n/a
Class 'C'	n/a	24.1466	n/a	22.2071	n/a	+8.73

### PERFORMANCE SINCE LAUNCH

	six months 01.07.13 %	one year 02.01.13 %	five years 02.01.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+5.4	+10.1	+11.9	+9.7 <sup>[c]</sup>
Class 'I'	+5.5	+10.5	n/a	+17.6 <sup>[d]</sup>
Class 'R'	+5.6	+10.5	n/a	+17.5 <sup>[d]</sup>
Class 'X'	+5.4	+10.1	+11.9	+4.9 <sup>[e]</sup>
<b>Euro <sup>[f]</sup></b>				
Class 'A'	+9.6	+9.3	+16.9	+8.9 <sup>[g]</sup>
Class 'B'	n/a	n/a	n/a	+6.1 <sup>[h]</sup>
Class 'C'	+9.9	+9.9	+17.4	+8.4 <sup>[g]</sup>

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

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

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

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

<sup>[e]</sup> 15 October 1999, the end of the initial offer period of the predecessor unit trust.

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

<sup>[g]</sup> 29 November 2002, the launch date of the share class.

<sup>[h]</sup> 26 July 2013, the launch date of the share class. Not annualised.

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

From	31.12.12	30.12.11	31.12.10	31.12.09	31.12.08
To	31.12.13	31.12.12	30.12.11	31.12.10	31.12.09
	%	%	%	%	%
<b>Sterling</b>					
Class 'X'	+10.5	+21.2	-7.2	+5.3	+35.0

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

# M&G European High Yield Bond Fund

## FUND STATISTICS

### PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>		<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A'	2009	43.51	29.98	78.61	51.89
	2010	44.36	37.92	83.49	70.69
	2011	44.70	36.45	87.35	73.06
	2012	42.63	36.42	90.40	74.17
	2013	45.63	41.93	100.54	89.96
	2014 <sup>[a]</sup>	44.14	44.14	99.06	99.06
Class 'I'	2012 <sup>[b]</sup>	1,133.57	998.03	1,144.42	998.03
	2013	1,212.69	1,113.34	1,276.64	1,138.96
	2014 <sup>[a]</sup>	1,172.10	1,172.10	1,258.73	1,258.73
Class 'R'	2012 <sup>[b]</sup>	113.31	99.79	114.34	99.79
	2013	121.21	111.33	127.56	113.78
	2014 <sup>[a]</sup>	117.21	117.21	125.73	125.73
Class 'X'	2009	43.45	29.94	78.57	51.87
	2010	44.30	37.87	83.45	70.65
	2011	44.62	36.38	87.30	73.02
	2012	42.56	36.36	90.35	74.13
	2013	45.55	41.86	100.48	89.90
	2014 <sup>[a]</sup>	44.07	44.07	99.00	99.00
<b>Euro (gross)</b>		<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Class 'A'	2009	n/a	n/a	17.5862	11.6878
	2010	n/a	n/a	19.5733	17.5169
	2011	n/a	n/a	20.3957	17.7836
	2012	n/a	n/a	23.5764	18.8156
	2013	25.4648 <sup>[c]</sup>	23.8467 <sup>[c]</sup>	25.7989	23.3994
	2014 <sup>[a]</sup>	25.1638	25.1638	25.8378	25.8378
Class 'B'	2013 <sup>[d]</sup>	n/a	n/a	10.5896	9.9995
	2014 <sup>[a]</sup>	n/a	n/a	10.6051	10.6051
Class 'C'	2009	n/a	n/a	16.2838	10.7789
	2010	n/a	n/a	18.2014	16.2304
	2011	n/a	n/a	19.0164	16.6124
	2012	n/a	n/a	22.1601	17.5980
	2013	n/a	n/a	24.3699	22.0469
	2014 <sup>[a]</sup>	n/a	n/a	24.4076	24.4076

<sup>[a]</sup> To 2 January 2014.

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

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

<sup>[d]</sup> From 26 July 2013 (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

	Calendar year	Interest income per share			Reinvested	
		Interims	Distributed Final	Interim	Total	
<b>Sterling (net)</b>		<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A'	2009	1.1682	0.4232	0.5940	2.1854	3.8061
	2010	1.1640	0.5480	0.5760	2.2880	4.1952
	2011	0.9960	0.5140	0.5320	2.0420	3.9772
	2012	1.1260	0.5220	0.5252	2.1732	4.4332
	2013	1.0024	0.5268	0.4540	1.9832	4.2792
	2014 <sup>[a]</sup>	0.4756	-	-	0.4756	1.0540
Class 'I'	2012	n/a	n/a	9.7392	9.7392	9.7392
	2013	29.6272	15.4176	13.0568	58.1016	59.6820
	2014 <sup>[a]</sup>	13.8164	-	-	13.8164	14.6892
Class 'R'	2012	n/a	n/a	0.9272	0.9272	0.9272
	2013	2.8512	1.4584	1.2652	5.5748	5.8672
	2014 <sup>[a]</sup>	1.3228	-	-	1.3228	1.4040
Class 'X'	2009	1.1656	0.4224	0.5940	2.1820	3.8019
	2010	1.1620	0.5480	0.5600	2.2700	4.1920
	2011	0.9980	0.5100	0.5360	2.0440	3.9620
	2012	1.1200	0.5220	0.5212	2.1632	4.4312
	2013	1.0012	0.5260	0.4536	1.9808	4.2792
	2014 <sup>[a]</sup>	0.4748	-	-	0.4748	1.0544
<b>Euro (gross)</b>		<b>¢</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>
Class 'A'	2009	n/a	n/a	n/a	n/a	108.9829
	2010	n/a	n/a	n/a	n/a	125.2580
	2011	n/a	n/a	n/a	n/a	115.9767
	2012	n/a	n/a	n/a	n/a	142.9323
	2013	n/a	n/a	31.9900	31.9900	136.2301
	2014 <sup>[a]</sup>	33.7827	-	-	33.7827	34.1753
Class 'B'	2013	n/a	n/a	n/a	n/a	12.3870
	2014 <sup>[a]</sup>	n/a	n/a	n/a	n/a	12.6049
Class 'C'	2009	n/a	n/a	n/a	n/a	106.9757
	2010	n/a	n/a	n/a	n/a	124.6535
	2011	n/a	n/a	n/a	n/a	117.5832
	2012	n/a	n/a	n/a	n/a	143.3062
	2013	n/a	n/a	n/a	n/a	139.4324
	2014 <sup>[a]</sup>	n/a	n/a	n/a	n/a	35.2942

<sup>[a]</sup> Up to interim: ex-distribution date 2 January 2014; payment date 28 February 2014.

# M&G European High Yield Bond Fund

## FUND STATISTICS

NET ASSETS					
	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>					
		p	p		
Class 'A'	Jun 2011	43.66	86.33	9,380,056	3,547,000
	Jun 2012	37.30	78.06	13,142,056	3,449,000
	Jun 2013	42.82	94.11	9,295,056	3,455,000
	Dec 2013	43.92	98.58	8,899,056	3,494,000
Class 'I'	Jun 2013	1,137.02	1,194.76	145,800	15,000
	Dec 2013	1,166.29	1,252.62	450,000	942,900
Class 'R'	Jun 2013	113.70	119.20	41,000	1,000
	Dec 2013	116.62	125.12	51,000	61,000
Class 'X'	Jun 2011	43.59	86.27	32,548,879	6,734,928
	Jun 2012	37.24	78.02	32,791,879	3,142,928
	Jun 2013	42.75	94.05	33,717,879	3,700,928
	Dec 2013	43.85	98.52	34,786,879	6,245,928
<b>Euro</b>					
		€	€		
Class 'A'	Jun 2011	n/a	19.8400	n/a	3,115,844
	Jun 2012	n/a	20.5546	n/a	1,383,244
	Jun 2013	n/a	23.5675	n/a	2,523,544
	Dec 2013	24.8915	25.5647	21,800	2,883,744
Class 'B'	Dec 2013	n/a	10.4922	n/a	1,000
Class 'C'	Jun 2011	n/a	18.6431	n/a	892,900
	Jun 2012	n/a	19.2715	n/a	209,700
	Jun 2013	n/a	22.2071	n/a	808,150
	Dec 2013	n/a	24.1466	n/a	1,209,050
<b>Total net asset value of sub-fund</b>					
	Period ended	£		€ [a]	
	Jun 2011	98,523,000		108,943,000	
	Jun 2012	48,438,000		60,078,000	
	Jun 2013	93,429,000		108,904,000	
	Dec 2013	132,152,000		158,632,000	

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

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'AAA' credit rated bonds</b>			
€9,000,000 Germany (Federal Republic of) 0% 2015	7,477	5.66	
€10,000,000 Germany (Federal Republic of) 2% 2016	8,647	6.54	
<b>'AA' credit rated bonds</b>			
€2,700,000 GE Capital Trust IV Var. Rate 2066 (4.625%)	2,300	1.74	0.91
<b>'BBB' credit rated bonds</b>			
€2,600,000 American International Group Var. Rate 2067 (4.875%)	2,146	1.62	
£450,000 American International Group Var. Rate 2067 (5.75%)	444	0.34	
£300,000 Assicurazioni Generali Var. Rate Perp. (6.269%)	271	0.21	
€500,000.00 Bank of America FRN 2018	400	0.30	
£800,000 Friends Life 8.25% 2022	870	0.66	
€2,350,000 Generali Finance Var. Rate Perp. (5.479%)	1,953	1.48	
\$3,890,000 UBS 4.75% 2023	2,347	1.78	
€983,000 Unicredit Var. Rate 2025 (5.75%)	836	0.63	
<b>'BB' credit rated bonds</b>			
£493,000 AA Bond Company 9.5% 2043	541	0.41	
€625,000 Altice Financing 6.5% 2022	524	0.40	
\$815,000 Altice Financing 7.875% 2019	536	0.41	
€200,000 Altice Financing 8% 2019	182	0.14	
£1,687,000 Arrow Global Finance 7.875% 2020	1,784	1.35	
\$550,000 Banco Bilbao Vizcaya Argentaria Var. Rate Perp. (5.919%)	320	0.24	
€500,000 Bormioli Rocco 10% 2018	455	0.34	
€710,000 Buzzi Unicem 6.25% 2018	665	0.50	
£1,080,000 Cabot Financial Luxembourg 10.375% 2019	1,226	0.93	
\$1,700,000 Citigroup 5.90% 2023	954	0.72	
\$800,000 Cogeco Cable 4.875% 2020	468	0.36	
€2,550,000 Commerzbank FRN 2016	2,012	1.52	
€600,000 Commerzbank 7.75% 2021	575	0.44	
\$1,103,000 Credit Suisse Var. Rate Perp. (7.5%)	704	0.53	
€1,000,000 Fiat Finance & Trade 6.625% 2018	901	0.68	
€1,235,000 Fiat Finance & Trade 7.75% 2016	1,142	0.86	
£570,000 Finmeccanica Finance 8% 2019	638	0.48	
\$1,380,000 Gestamp Funding Luxembourg 5.625% 2020	849	0.64	
€628,000 Gestamp Funding Luxembourg 5.875% 2020	552	0.42	
£1,355,000 Grainger 5% 2020	1,374	1.04	
€1,190,000 Koninklijke KPN Var. Rate Perp. (6.125%)	1,045	0.79	
€171,000 Lafarge 4.75% 2020	150	0.11	
€350,000 LBG Capital No.1 6.439% 2020	308	0.23	
£950,000 LBG Capital No.1 7.5884% 2020	1,004	0.76	
£1,380,000 Lowell Group Financing 10.75% 2019	1,565	1.18	
€354,000 MPT Operating Partnership 5.75% 2020	308	0.23	
€482,000 Picard Groupe FRN 2019	409	0.31	
€420,000 Rexam Var. Rate 2067 (6.75%)	373	0.28	
€2,400,000 Royal Bank of Scotland 5.5% Perp.	1,684	1.28	
€174,000 Sappi Papier Holding 6.625% 2018	154	0.12	
\$600,000 Sappi Papier Holding 7.75% 2017	397	0.30	
\$1,100,000 Sappi Papier Holding 8.375% 2019	724	0.55	
\$565,000 Smurfit Kappa Acquisitions 4.875% 2018	355	0.27	



# M&G European High Yield Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'BB' credit rated bonds (continued)</b>			
€470,000 Smurfit Kappa Acquisitions 5.125% 2018	424	0.32	
\$1,750,000 Société Générale 8.25% Perp.	1,133	0.86	
\$350,000 Société Générale Var. Rate Perp. (7.875%)	213	0.16	
CHF2,240,000 Sunrise Communications International 5.625% 2017	1,584	1.20	
CHF500,000 Sunrise Communications International 7% 2017	358	0.27	
\$1,078,000 Taylor Morrison Communities 7.75% 2020	718	0.54	
€520,000 Unitymedia Hessen 7.5% 2019	471	0.36	
\$770,000 Unitymedia Hessen 7.5% 2019	507	0.38	
€1,000,000 UPCB Finance 7.625% 2020	900	0.68	
€700,000 UPCB Finance II 6.375% 2020	622	0.47	
€797,000 Wind Acquisition Finance 7.375% 2018	700	0.53	
		<b>33.04</b>	<b>43.54</b>
<b>'B' credit rated bonds</b>			
\$270,000 Agrokor 8.875% 2020	175	0.13	
€570,000 Agrokor 9.875% 2019	533	0.40	
CHF930,000 Aguila 3 7.875% 2018	660	0.50	
\$1,300,000 Aguila 3 7.875% 2018	824	0.62	
\$200,000 Altice Financing 8.125% 2024	124	0.09	
€500,000 Altice Financing 9% 2023	455	0.34	
€821,000 Ardagh Packaging Finance 7.375% 2017	732	0.55	
£1,825,000 Bakkavor Finance 2 8.25% 2018	1,947	1.47	
€700,000 Bank of Ireland 10% 2022	700	0.53	
€750,000 Barclays Bank Var. Rate Perp. (8%)	643	0.49	
\$1,005,000 Barclays Bank Var. Rate Perp. (8.25%)	627	0.47	
€404,000 Cable Comm Systems 7.5% 2020	345	0.26	
€1,730,000 Catalent Pharma Solutions 9.75% 2017	1,489	1.13	
\$2,000,000 Cemex 5.875% 2019	1,208	0.91	
\$1,500,000 Cemex 9.5% 2018	1,027	0.78	
\$320,000 Cemex Finance 9.375% 2022	218	0.16	
€1,110,000 Ciech Group Financing 9.5% 2019	1,055	0.80	
\$400,000 Convatec Finance International 8.25% 2019	248	0.19	
€428,000 Deutsche Raststätten 6.75% 2020	372	0.28	
€813,000 Edcon (formerly Edcon Proprietary) 9.5% 2018	694	0.53	
\$240,000 Edcon (formerly Edcon Proprietary) 9.5% 2018	148	0.11	
£1,647,000 EDU UK Bond Company 8.875% 2018	1,714	1.30	
£1,098,000 Elli Finance UK 8.75% 2019	1,212	0.92	
£1,490,000 Exova 10.5% 2018	1,594	1.21	
€255,000 Findus Bond Company 9.125% 2018	234	0.18	
€621,000 Foodcorp 8.75% 2018	566	0.43	
€421,000 Huntsman International 5.125% 2021	352	0.27	
€520,000 Inaer Aviation Finance 9.5% 2017	456	0.35	
€902,700 Ineos Group Holdings 7.875% 2016	757	0.57	
£1,500,000 Intergen 7.5% 2021	1,590	1.20	
\$593,000 KB Home 7% 2021	373	0.28	
€2,075,000 Kerling 10.625% 2017	1,838	1.39	
CHF2,760,000 Matterhorn Mobile 6.75% 2019	2,027	1.53	
CHF356,667 Matterhorn Mobile FRN 2019	244	0.18	
€181,818 Mobile Challenger 8.75% 2019	158	0.12	
\$1,236,000 Nara Cable Funding 8.875% 2018	802	0.61	
€1,333,000 New World Resources 7.875% 2018	844	0.64	
£600,000 Odeon & UCI Finco 9% 2018	605	0.46	
€675,000 Ontex 7.5% 2018	590	0.45	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'B' credit rated bonds (continued)</b>			
€500,000 Ontex FRN 2018	416	0.31	
£2,260,000 Phones4u Finance 9.5% 2018	2,389	1.81	
€267,000 Polish Television Holding 11% 2021	240	0.18	
€592,000 Refresco Group 7.375% 2018	527	0.40	
\$580,000 Reynolds Group 5.75% 2020	357	0.27	
€441,000 S&B Minerals Finance 9.25% 2020	401	0.30	
€1,510,000 Sisal Holding Istituto di Pagamento 7.25% 2017	1,293	0.98	
€1,050,000 Styrolution Group 7.625% 2016	915	0.69	
€540,000 Techem Energy Metering Service 7.875% 2020	502	0.38	
€750,000 Telenet Finance III 6.625% 2021	673	0.51	
€1,360,000 Telenet Finance V 6.25% 2022	1,199	0.91	
€346,000 Trionista Topco 6.875% 2021	303	0.23	
€263,000 TVN Finance III 7.375% 2020	234	0.18	
€398,000 Unilabs (Subholding) 8.5% 2018	346	0.26	
€371,000 Unitymedia Kabel 9.5% 2021	359	0.27	
CHF1,250,000 UPC Holding 6.75% 2023	870	0.66	
€200,000 Verisure Holding 8.75% 2018	182	0.14	
€557,000 Verisure Holding FRN 2018	481	0.36	
\$1,170,000 Windstream 7.5% 2023	713	0.54	
€371,000 Xella Holdco Finance 9.125% 2018	322	0.24	
€890,000 Zobebe 7.875% 2018	780	0.59	
		<b>6.49</b>	<b>6.98</b>
<b>'CCC' credit rated bonds</b>			
€131,581 ARD Finance 11.125% 2018	117	0.09	
€850,000 Ardagh Glass Finance 7.125% 2017	728	0.55	
€1,550,000 Ardagh Glass Finance 8.75% 2020	1,370	1.04	
€1,650,000 Beverage Packaging Holdings 9.5% 2017	1,421	1.08	
\$1,030,000 CMA CGM 8.5% 2017	606	0.46	
€551,000 Edcon 13.375% 2019	484	0.37	
€750,000 GCL Holdings 9.375% 2018	679	0.51	
€600,000 Heckler & Koch 9.5% 2018	504	0.38	
€1,175,000 Norcell Sweden Holding 2 10.75% 2019	1,091	0.83	
€1,074,837 R&R Ice Cream 9.25% 2018	923	0.70	
€231,000 SNAI 12% 2018	198	0.15	
€520,000 Stork Technical Services Holdings 11% 2017	436	0.33	
		<b>0.29</b>	<b>0.00</b>
<b>'CC' credit rated bonds</b>			
\$1,175,000 Codere Finance Luxembourg 9.25% 2019	389	0.29	
		<b>0.32</b>	<b>0.59</b>
<b>'D' credit rated bonds</b>			
€920,000 Codere Finance Luxembourg 8.25% 2015	429	0.32	
		<b>7.83</b>	<b>9.88</b>
<b>Bonds with no credit rating</b>			
€2,000,000 Abengoa 4.5% 2017 (Abengoa) <sup>[a]</sup>	1,673	1.27	
£300,000 Arqiva Broadcast Finance 9.5% 2020	333	0.25	
\$1,400,000 Banco Bilbao Vizcaya Argentaria 9% Perp.	914	0.69	
€1,870,000 Bank of Ireland 10% 2016	1,659	1.26	
€900,000 Bawag 8.125% 2023	782	0.59	
€641,964 Hellas Telecom III 8.5% 2013 <sup>[b]</sup>	0	0.00	
£667,000 Infinis 7% 2019	709	0.54	
€600,000 Lehman Brothers Holdings Var. Rate 2016 <sup>[b]</sup>	0	0.00	
€1,036,612 Matel & Magyar 9%	907	0.69	
£1,000,000 Pennon Group Var. Rate Perp. (6.75%)	1,055	0.80	
€1,445,993 Truvo Subsidiary 8.5% 2014 <sup>[b]</sup>	42	0.03	
€1,093,000 Viridian Group Funding 11.125% 2017	1,008	0.76	
\$1,899,000 Viridian Group Funding 11.125% 2017	1,255	0.95	

# M&G European High Yield Bond Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Credit default swaps</b>			
\$(6,000,000) Markit CDX North American High Yield Series 20 5 Year Jun 2018	345	0.26	0.16
\$(2,000,000) Markit iTraxx Europe Series 20 5 Year Dec 2018	156	0.12	
€(2,500,000) Virgin Media Finance 5 Year Jun 2018	187	0.14	
€(1,000,000) Virgin Media Finance 5 Year Dec 2018	68	0.05	
<b>Forward currency contracts</b>			
€28,436,254 Bought for £23,749,282 (expires 12.02.14)	(53)	(0.04)	
€7,005,524 Bought for CHF8,616,794 (expires 12.02.14)	(17)	(0.01)	
€25,429,988 Bought for \$34,451,417 (expires 12.02.14)	337	0.26	
<b>'AAA' rated money market funds <sup>[c]</sup></b>			
2,176,000 Northern Trust Global Fund - Euro	1,813	1.37	1.18
<b>Portfolio of investments</b>	<b>126,429</b>	<b>95.67</b>	<b>96.21</b>
<b>Net other assets</b>	<b>5,723</b>	<b>4.33</b>	<b>3.79</b>
<b>Net assets attributable to shareholders</b>	<b>132,152</b>	<b>100.00</b>	<b>100.00</b>

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

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

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

### COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure		
	Credit default swaps £'000	Forward currency contracts £'000	Total as at 31.12.13 £'000
Barclays Bank	68	0	68
Credit Suisse	75	0	75
Deutsche Bank	156	0	156
Goldman Sachs	420	0	420
J.P.Morgan	37	0	37
State Street Bank	0	267	267
<b>Total</b>	<b>756</b>	<b>267</b>	<b>1,023</b>

### PORTFOLIO TRANSACTIONS

for the six months ended 31 December 2013

Largest purchases	£'000
Germany (Federal Republic of) 0% 2015 (€)	13,761
Germany (Federal Republic of) 2% 2016 (€)	5,843
UBS 4.75% 2023 (\$)	2,419
Commerzbank FRN 2016 (€)	2,022
Generali Finance Var. Rate Perp. (5.479%) (€)	1,962
GE Capital Trust IV Var. Rate 2066 (€)	1,749
EDU UK Bond Company 8.875% 2018 (€)	1,650
Kerling 10.625% 2017 (€)	1,392
Grainger 5% 2020 (€)	1,355
Cemex 5.875% 2019 (\$)	1,222
Société Générale 8.25% Perp. (\$)	1,121
Cabot Financial Luxembourg 10.375% 2019 (€)	1,114
Marlin Intermediate Holdings 10.50% 2020 (€)	1,100
Viridian Group Funding 11.125% 2017 (€)	1,047
Cemex 9.5% 2018 (\$)	1,032
Fiat Finance and Trade 6.625% 2018 (€)	902
Gestamp Funding Luxembourg 5.625% 2020 (\$)	872
Intralot Finance 7.875% Cnv. 2018 (€)	862
Aguila 3 7.875% 2018 (\$)	856
Unicredit Var.Rate 2025 (5.75%) (€)	835
Northern Trust Global Fund -Euro <sup>[a]</sup>	14,737
Other purchases	22,307
<b>Total purchases</b>	<b>80,160</b>

Largest sales	£'000
Germany (Federal Republic of) 0.00% 2015 (€)	5,949
Germany (Federal Republic of) 0.75% IL 2018 (€)	1,454
Marlin Intermediate Holdings 10.50% 2020 (€)	1,122
Cabot Financial Luxembourg 10.375% 2019 (€)	1,116
Intergen 9.5% 2017 (€)	899
Intralot Finance 7.875% Cnv. 2018 (€)	890
Intergen 8.5% 2017 (€)	794
Unitymedia Kabel 9.625% 2019 (€)	699
Bombardier 6.125% 2021 (€)	684
Cincinnati Bell 8.375% 2020 (\$)	669
Guala Closures FRN 2019 (€)	664
Edcon (formerly Edcon Proprietary) 9.5% 2018 (€)	636
Indesit Company 4.5% 2018 (€)	623
Albain Bidco Norway 6.75% 2020 (€)	615
Altice Financing 9.875% 2020 (\$)	582
Thomas Cook Finance 7.75% 2020 (€)	550
Ineos Group Holdings 7.875% 2016 (€)	548
Germany (Federal Republic of) 2% 2016 (€)	525
Cemex Finance 9.625% 2017 (€)	511
Kerling 10.625% 2017 (€)	499
Northern Trust Global Fund -Euro <sup>[a]</sup>	14,024
Other sales	11,662
<b>Total sales</b>	<b>45,715</b>

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

# M&G European High Yield Bond Fund

## INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 31 December 2013.

### STATEMENT OF TOTAL RETURN

	2013		2012	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		1,680		5,819
Revenue	3,613		2,207	
Expenses	(706)		(403)	
Net revenue before taxation	2,907		1,804	
Taxation	(11)		(4)	
Net revenue after taxation		2,896		1,800
<b>Total return before distributions</b>		<b>4,576</b>		<b>7,619</b>
Finance costs: Distributions		(2,895)		(1,799)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>1,681</b>		<b>5,820</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>93,429</b>		<b>48,438</b>
Amounts received on issue of shares	57,738		17,621	
Amounts paid on cancellation of shares	(23,102)		(3,728)	
		34,636		13,893
Stamp Duty Reserve Tax		7		0
Change in net assets attributable to shareholders from investment activities (see above)		1,681		5,820
Retained distributions on Accumulation shares		2,399		1,343
<b>Closing net assets attributable to shareholders</b>		<b>132,152</b>		<b>69,494</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.

### BALANCE SHEET

	as at 31 December 2013		as at 30 June 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		126,499		89,933
Debtors	4,208		8,019	
Cash and bank balances	3,269		0	
<b>Total other assets</b>		<b>7,477</b>		<b>8,019</b>
<b>Total assets</b>		<b>133,976</b>		<b>97,952</b>
<b>Liabilities</b>				
Investment liabilities		(70)		(46)
Creditors				
Net distributions payable on Income shares	(276)		(249)	
Other creditors	(1,478)		(4,228)	
<b>Total other liabilities</b>		<b>(1,754)</b>		<b>(4,477)</b>
<b>Total liabilities</b>		<b>(1,824)</b>		<b>(4,523)</b>
<b>Net assets attributable to shareholders</b>		<b>132,152</b>		<b>93,429</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 June 2013. 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 European High Yield Bond Fund

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# M&G Fund of Investment Trust Shares

## AUTHORISED CORPORATE DIRECTOR'S REPORT

### Investment objective and policy of the M&G Fund of Investment Trust Shares

The portfolio is normally limited to shares of investment trust companies. These shares provide a wide spread of investment in the UK and overseas stockmarkets and are often available at substantial discounts in relation to underlying asset values. Income is not a major factor, and the yield can be expected to be slightly less than the average for investment trust companies.

### Investment approach

The M&G Fund of Investment Trust Shares is a diversified portfolio of approximately 60 investment companies with exposure to a wide range of international markets and investment classes. The fund manager uses his judgement to decide upon areas and investment vehicles from which long-term growth can be obtained. Additional criteria used include the investment philosophy and objective of the underlying holdings and the ability of each manager to deliver on them; and the discount at which its shares are trading. Holdings may be sold if there is a change in the fund manager's view; a failure of the underlying company to deliver on stated objectives; corporate activity, which leads the fund manager to take profits; or if the fund manager believes a holding has become overvalued.

### 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 January 2014, for the six months ended 31 December 2013

We started a new position in BACIT (Battle Against Cancer Investment Trust), a novel investment that operates on a 'gross return' basis, which means that no management or performance fees are paid. The underlying holdings in which the trust is invested are also not subject to fees. In our opinion, BACIT, which donates 1% of its assets to charity annually, provides access to a range of well-regarded investment trusts as underlying holdings.

We also began a holding in Bilfinger Berger Global Infrastructure Fund, which provides global exposure to infrastructure projects as well as access to healthy dividends<sup>[a]</sup> and useful diversification benefits. We had previously had a position in the fund, but sold it earlier in 2013 as it had become quite expensive. The most recent purchase was as part of a rights issue at a discount, making it more reasonably priced.

While Japanese company shares, or equities, have performed well over the period under review, the weakness of the Japanese yen against the British pound can act as a drag for sterling-based investors. Consequently, we started a holding in the Aberdeen Japan Investment Trust, which provides hedged yen exposure and thus offers some protection against currency movements. As well as addressing the currency issue, this move gave us the opportunity to consolidate the number of Japanese holdings in the fund. This involved closing small holdings in the Prospect Japan Fund and the JPMorgan Japanese Smaller Companies Investment Trust.

Other sales involved the disposal of the Impax Asian Environmental Markets Trust as shareholder pressure led to the winding up of the trust and the return of our investment. We also trimmed the position in the Biotech Growth Trust, which invests in emerging biotechnology and pharmaceutical companies, following good performance.

### Richard O'Connor Fund manager

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

<sup>[a]</sup> Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

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

# M&G Fund of Investment Trust Shares

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.07.14	31.08.14
Interim	02.01.15	28.02.15

	Interim distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 28.02.14 <sup>[a]</sup>	Acc 02.01.14 <sup>[a]</sup>	31.12.13	30.06.13
<b>Sterling</b>	p	p	%	%
Class 'A'	4.0945	9.2073	1.20	1.20
Class 'X'	0.1586	0.2819	1.70	1.70

<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.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.12.13		Net asset value per share as at 30.06.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
	p	p	p	p	%	%
<b>Sterling</b>						
Class 'A'	1,600.82	3,608.81	1,468.14	3,301.25	+9.04	+9.32
Class 'X'	1,609.60	3,434.49	1,475.78	3,149.70	+9.07	+9.04

### PERFORMANCE SINCE LAUNCH

	six months 01.07.13	one year 02.01.13	five years 02.01.09	since launch
	%	%	% p.a. <sup>[a]</sup>	% p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+6.7	+16.9	+12.9	+8.0 <sup>[c]</sup>
Class 'X'	+6.7	+16.9	+12.9	+8.7 <sup>[d]</sup>

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

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

<sup>[c]</sup> 10 May 1968, the end of the initial offer period of the predecessor unit trust.

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

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

From	31.12.12	30.12.11	31.12.10	31.12.09	31.12.08
To	31.12.13	31.12.12	30.12.11	31.12.10	31.12.09
	%	%	%	%	%
<b>Sterling</b>					
Class 'A'	+19.1	+12.1	-11.3	+23.1	+32.0

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

## PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>		p	p	p	p
Class 'A'	2009	1,140.26	747.14	2,488.60	1,618.27
	2010	1,377.93	1,080.73	3,041.35	2,371.79
	2011	1,420.23	1,159.56	3,143.87	2,574.39
	2012	1,357.66	1,208.27	3,029.84	2,689.22
	2013	1,643.58	1,366.72	3,695.63	3,060.80
	2014 <sup>[a]</sup>	1,597.25	1,597.25	3,601.13	3,601.13
Class 'X'	2009	1,144.96	750.75	2,418.79	1,577.49
	2010	1,382.08	1,086.04	2,938.22	2,301.70
	2011	1,425.22	1,163.22	3,032.15	2,475.91
	2012	1,361.48	1,212.12	2,898.03	2,580.00
	2013	1,649.37	1,373.75	3,520.10	2,927.44
	2014 <sup>[a]</sup>	1,605.37	1,605.37	3,426.98	3,426.98

<sup>[a]</sup> To 2 January 2014.

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

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

## INCOME

#### Dividend income per share

	Calendar year	Interim	Distributed	Total	Reinvested
			Final	p	p
<b>Sterling (net)</b>		p	p	p	p
Class 'A'	2009	5.6190	7.1650	12.7840	27.6096
	2010	6.3560	6.4660	12.8220	28.0623
	2011	4.0800	4.0940	8.1740	18.0680
	2012	2.9780	3.4100	6.3880	14.2093
	2013	4.8370	5.9522	10.7892	24.1175
	2014 <sup>[a]</sup>	4.0945	-	4.0945	9.2073
Class 'X'	2009	3.0240	5.1010	8.1250	17.0500
	2010	3.6910	3.5280	7.2190	15.2746
	2011	1.0300	0.6620	1.6920	3.5981
	2012	nil	0.0440	0.0440	nil
	2013	1.5590	2.2624	3.8214	7.7368
	2014 <sup>[a]</sup>	0.1586	-	0.1586	0.2819

<sup>[a]</sup> Up to interim: ex-distribution date 2 January 2014; payment date 28 February 2014.

# M&G Fund of Investment Trust Shares

## FUND STATISTICS

### NET ASSETS

	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>		<b>p</b>	<b>p</b>		
Class 'A'	Jun 2011	1,369.83	3,041.70	873,617	620,210
	Jun 2012	1,240.16	2,767.74	845,117	600,540
	Jun 2013	1,468.14	3,301.25	801,917	553,670
	Dec 2013	1,600.82	3,608.81	761,767	533,340
Class 'X'	Jun 2011	1,377.01	2,931.41	34,253	10,869
	Jun 2012	1,246.82	2,653.95	33,353	12,794
	Jun 2013	1,475.78	3,149.70	33,353	14,324
	Dec 2013	1,609.60	3,434.49	38,503	17,124

Total net asset value of sub-fund			
Period ended	£	€ [a]	
Jun 2011	31,622,000	34,971,000	
Jun 2012	27,858,000	34,552,000	
Jun 2013	30,995,000	36,129,000	
Dec 2013	32,650,000	39,192,000	

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

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 December 2013

Holding [a]	Value £'000	31.12.13 %	30.06.13 %
<b>Global growth</b>		<b>20.50</b>	<b>18.55</b>
210,000 Alliance Trust	939	2.88	
522,720 BACIT Investment Trust Class 'C'	612	1.87	
31,000 Caledonia Investments	583	1.79	
429,855 Miton Worldwide Growth Investment Trust	653	2.00	
242,170 Monks Investment Trust	936	2.87	
1,250 Personal Assets Trust	401	1.23	
51,347 RIT Capital Partners	647	1.98	
135,911 Scottish Mortgage Investment Trust	1,403	4.30	
230,000 World Trust Fund	517	1.58	
<b>Global growth &amp; income</b>		<b>4.16</b>	<b>4.75</b>
350,000 Midas Income & Growth Trust	463	1.42	
425,000 Ruffer Investment Company Red. Pref. shares	893	2.74	
<b>UK growth</b>		<b>8.09</b>	<b>7.21</b>
201,737 Artemis Alpha Trust	597	1.83	
18,818 Artemis Alpha Trust (Subscription shares)	8	0.02	
430,555 Better Capital PCC	470	1.44	
50,000 Hansa Trust 'A' shares	411	1.26	
40,000 Keystone Investment Trust	693	2.12	
30,000 Mercantile Investment Trust	464	1.42	

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding [a]	Value £'000	31.12.13 %	30.06.13 %
<b>UK growth &amp; income</b>		<b>4.83</b>	<b>4.59</b>
113,400 Finsbury Growth & Income Trust	584	1.79	
483,870 Troy Income & Growth Trust	301	0.92	
265,000 Value & Income Trust	692	2.12	
<b>UK smaller companies</b>		<b>1.31</b>	<b>0.99</b>
87,000 Montanaro UK Smaller Companies Investment Trust	427	1.31	
<b>Europe</b>		<b>6.17</b>	<b>5.57</b>
60,000 Fidelity European Values	918	2.81	
300,000 JPMorgan European Investment Trust (income shares)	352	1.08	
100,000 The European Investment Trust	744	2.28	
<b>European smaller companies</b>		<b>2.73</b>	<b>2.48</b>
78,500 JPMorgan European Smaller Companies Investment Trust	892	2.73	
<b>North America</b>		<b>4.39</b>	<b>4.42</b>
80,211 JPMorgan American Investment Trust	957	2.93	
460,000 Middlefield Canadian Income Trusts Red. Pref. Shares	478	1.46	
<b>North American smaller companies</b>		<b>2.26</b>	<b>2.49</b>
48,000 North Atlantic Smaller Companies Investment Trust	737	2.26	
<b>Global emerging markets</b>		<b>3.63</b>	<b>4.18</b>
131,136 Advance Developing Markets Trust	550	1.68	
121,000 Templeton Emerging Markets Investment Trust	636	1.95	
<b>Latin America</b>		<b>0.65</b>	<b>0.83</b>
273,500 Aberdeen Latin American Income Fund	211	0.65	
<b>Asia Pacific - excluding Japan</b>		<b>7.24</b>	<b>8.48</b>
415,000 Aberdeen Asian Income Fund	800	2.45	
139,000 Asian Total Return Investment Company	247	0.76	
351,000 Edinburgh Dragon Trust	857	2.62	
382,500 Weiss Korea Opportunity Fund	459	1.41	
<b>Japan</b>		<b>2.73</b>	<b>2.61</b>
30,000 Aberdeen Japan Investment Trust	106	0.32	
211,000 Baillie Gifford Japan Trust	788	2.41	
<b>Japanese smaller companies</b>		<b>4.06</b>	<b>4.98</b>
222,000 Baillie Gifford Shin Nippon	689	2.11	
315,000 JPMorgan Japanese Smaller Companies Investment Trust	636	1.95	
<b>Private equity</b>		<b>4.17</b>	<b>4.36</b>
358,000 F&C Private Equity Trust	745	2.28	
60,000 Pantheon International Participations	617	1.89	
<b>Property securities</b>		<b>2.92</b>	<b>2.62</b>
422,262 TR Property Investment Trust	954	2.92	
<b>Specialist</b>		<b>11.07</b>	<b>11.38</b>
508,980 Biffinger Berger Global Infrastructure Fund	599	1.83	
185,000 Biotech Growth Trust	860	2.63	
161,296 BlackRock World Mining Trust	746	2.28	
338,873 CATCo Reinsurance Opportunities Fund	225	0.69	
519,643 Golden Prospect Precious Metals	174	0.53	
259,821 Golden Prospect Precious Metals (Subscription shares)	1	0.00	
350,000 JPMorgan Global Convertibles Income Fund	374	1.15	
130,000 Polar Capital Technology Trust	639	1.96	

# M&G Fund of Investment Trust Shares

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding <sup>[a]</sup>	Value £'000	31.12.13 %	30.06.13 %
<b>Split capital</b>		<b>1.75</b>	<b>1.82</b>
465,000 Ecofin Water & Power Opportunities	572	1.75	
<b>AIM quoted</b>		<b>3.57</b>	<b>3.64</b>
1,190,678 Advance Frontier Markets Fund	643	1.97	
278,000 Utilico Emerging Markets	522	1.60	
<b>Unquoted / unlisted</b>		<b>0.00</b>	<b>0.00</b>
75,000 Bioscience Investment Trust	0	0.00	
26,744 Thompson Clive Investment Trust	0	0.00	
<b>Futures</b>		<b>0.13</b>	<b>(0.05)</b>
22 E-Mini S&P 500 Mar 2014	41	0.13	
<b>'AAA' rated money market funds <sup>[b]</sup></b>		<b>3.94</b>	<b>3.85</b>
1,285,000 Northern Trust Global Fund - Sterling	1,285	3.94	
<b>Portfolio of investments</b>	<b>32,748</b>	<b>100.30</b>	<b>99.75</b>
<b>Net other (liabilities) / assets</b>	<b>(98)</b>	<b>(0.30)</b>	<b>0.25</b>
<b>Net assets attributable to shareholders</b>	<b>32,650</b>	<b>100.00</b>	<b>100.00</b>

<sup>[a]</sup> All holdings are in ordinary shares unless otherwise stated.

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

### COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure	
	Futures £'000	Total as at 31.12.13 £'000
Royal Bank of Scotland	41	41
<b>Total</b>	<b>41</b>	<b>41</b>

## PORTFOLIO TRANSACTIONS

for the six months ended 31 December 2013

Purchases <sup>[a]</sup>	£'000
E-Mini S&P 500 Dec 2013	1,809
E-Mini S&P 500 Mar 2014	1,309
E-Mini S&P 500 Sep 2013	845
BACIT Investment Trust Class 'C'	600
Bilfinger Berger Global Infrastructure Fund	550
Better Capital PCC	190
Aberdeen Japan Investment Trust	107
Polar Capital Technology Trust	58
Alliance Trust	56
Montanaro UK Smaller Companies Investment Trust	54
Asian Total Return Investment Company	41
Northern Trust Global Fund - Sterling <sup>[b]</sup>	1,662
<b>Total purchases</b>	<b>7,281</b>
Largest sales <sup>[a]</sup>	£'000
E-Mini S&P 500 Sep 2013	1,981
E-Mini S&P 500 Dec 2013	1,845
Impax Asian Environmental Markets	772
Prospect Japan Fund	255
Edinburgh Dragon Trust	217
Biotech Growth Trust	179
Scottish Mortgage Investment Trust	164
JPMorgan European Smaller Companies Investment Trust	151
Baillie Gifford Japan Trust	137
World Trust Fund	119
Ruffer Investment Company Red. Pref. shares	118
E-Mini S&P 500 Mar 2014	111
North Atlantic Smaller Companies Investment Trust	105
Advance Developing Markets Trust	80
Hansa Trust 'A' shares	47
Baillie Gifford Shin Nippon	44
Utilico Emerging Markets	41
Value And Income Trust	40
JPMorgan Japanese Smaller Companies Investment Trust (Subscription shares)	31
Miton Worldwide Growth Investment Trust	27
Northern Trust Global Fund - Sterling <sup>[b]</sup>	1,570
Other sales	16
<b>Total sales</b>	<b>8,050</b>

<sup>[a]</sup> All holdings are in ordinary shares unless otherwise stated.

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



# M&G Fund of Investment Trust Shares

## INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 31 December 2013.

### STATEMENT OF TOTAL RETURN

	2013		2012	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		2,775		2,448
Revenue	280		279	
Expenses	(198)		(174)	
Net revenue before taxation	82		105	
Taxation	0		0	
Net revenue after taxation		82		105
<b>Total return before distributions</b>		<b>2,857</b>		<b>2,553</b>
Finance costs: Distributions		(82)		(105)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>2,775</b>		<b>2,448</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>30,995</b>		<b>27,858</b>
Amounts received on issue of shares	282		20	
Amounts paid on cancellation of shares	(1,449)		(991)	
		(1,167)		(971)
Stamp Duty Reserve Tax		(2)		(1)
Change in net assets attributable to shareholders from investment activities (see above)		2,775		2,448
Retained distributions on Accumulation shares		49		62
<b>Closing net assets attributable to shareholders</b>		<b>32,650</b>		<b>29,396</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.

### BALANCE SHEET

	as at 31 December 2013		as at 30 June 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		32,748		30,932
Debtors	44		81	
Cash and bank balances	163		76	
<b>Total other assets</b>		<b>207</b>		<b>157</b>
<b>Total assets</b>		<b>32,955</b>		<b>31,089</b>
<b>Liabilities</b>				
Investment liabilities		0		(15)
Creditors				
Net distributions payable on Income shares		(31)		(48)
Other creditors		(138)		(31)
Bank overdrafts		(136)		0
<b>Total other liabilities</b>		<b>(305)</b>		<b>(79)</b>
<b>Total liabilities</b>		<b>(305)</b>		<b>(94)</b>
<b>Net assets attributable to shareholders</b>		<b>32,650</b>		<b>30,995</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 June 2013. 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 Fund of Investment Trust Shares

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# M&G International Sovereign Bond Fund

## AUTHORISED CORPORATE DIRECTOR'S REPORT

### Investment objective of the M&G International Sovereign Bond Fund

The Fund aims to maximise total return (the combination of income and growth of capital) through investment in a portfolio of investment grade debt instruments.

### Investment policy of the M&G International Sovereign Bond Fund

The portfolio will primarily consist of investment grade sovereign debt securities denominated in the currencies of the major industrialised nations, with the exception of the UK. The Fund's exposure to sovereign debt may be gained through the use of derivatives. While the investment manager has power to hedge the currency risk for UK investors, the Fund will normally be managed so as to give exposure to non-sterling currencies. The Fund may also invest in other assets including government and public securities, collective investment schemes, other transferable securities, other debt instruments, cash and near cash, deposits, warrants, money market instruments and other derivative instruments.

### Investment approach

The M&G International Sovereign Bond Fund aims to maximise total return through investing primarily in investment grade sovereign debt securities denominated in the currencies of the major industrialised nations, with the exception of the UK. The fund seeks to outperform the Barclays Global Aggregate Treasury Custom >\$3bn Index net of fees over a one-to-three year horizon, taking active country, yield curve and currency positions to generate alpha.

### Risk and reward profile\*



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

\* 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 January 2014, for the six months ended 31 December 2013

The fund remained primarily invested in non-UK government bonds<sup>[a]</sup> issued by higher rated governments of developed countries during the review period. Its largest allocations included German and US government bonds, for example, along with Canadian, Swedish, Norwegian and Danish government debt.

In the second half of the review period, we reduced the fund's duration<sup>[b]</sup> as markets responded positively to the US Federal Reserve's decision in September not to begin cutting its stimulus measures. In our view, this decision was a temporary deferral and not a cancellation. The ensuing yield<sup>[c]</sup> rally therefore provided an opportunity to decrease the fund's interest rate sensitivity. Specifically, we cut the fund's overall exposure to US Treasuries. This activity helped the fund move from having a longer duration relative to the index at the start of the period to holding a shorter relative duration at the end of 2013.

We maintained a small and very selective exposure to government bonds from outside core developed countries, with Mexico being one of our favoured markets. In our assessment, certain segments of the Mexican government bond market continued to offer value partly because we felt the prospect remained for interest rate cuts in the country.

In currencies, we increased the fund's exposure to the US dollar, which we still think is attractively valued as the US current account balance improves and its economy strengthens with help from a rebounding housing market and falling unemployment. We also increased our allocation to the euro, but reduced our exposure to the yen, where poor Japanese trade data has contributed to the downside risk for the currency. We avoided those currencies whose performance tends to be related to commodity price trends, expecting them to be adversely affected by weaker demand from China as its economic growth decelerates.

**Mike Riddell**  
Fund manager

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

<sup>[a]</sup> A bond is a loan in the form of a security, usually issued by a government (government bonds) or company (corporate bonds), which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

<sup>[b]</sup> Duration measures a portfolio's sensitivity to changes in yields (for explanation of bond yields, see <sup>[c]</sup> below).

<sup>[c]</sup> Bond yields refer to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

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 International Sovereign Bond Fund

## FUND STATISTICS

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.07.14	31.08.14
Interim	02.01.15	28.02.15

	Interim distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 28.02.14 <sup>[a]</sup>	Acc 02.01.14 <sup>[a]</sup>	31.12.13	30.06.13
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>%</b>	<b>%</b>
Class 'A'	0.1824	0.2304	1.20	1.18
Class 'I'	3.6492	3.0560	0.71	0.69 <sup>[c]</sup>
Class 'R'	0.2148	0.2364	0.94	0.94 <sup>[c]</sup>

<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 comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had 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 31.12.13		Net asset value per share as at 30.06.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
	p	p	p	p	%	%
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>%</b>	<b>%</b>
Class 'A'	75.23	97.26	82.87	106.87	-9.22	-8.99
Class 'I'	869.54	879.38	957.66	965.25	-9.20	-8.90
Class 'R'	86.94	87.88	95.79	96.51	-9.24	-8.94

### PERFORMANCE SINCE LAUNCH

	six months	one year	five years	since
	01.07.13	02.01.13	02.01.09	launch
	%	%	% p.a. <sup>[a]</sup>	% p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	-8.8	-8.3	+0.2	+4.8 <sup>[c]</sup>
Class 'I'	-8.7	-8.0	n/a	-8.7 <sup>[d]</sup>
Class 'R'	-8.7	-8.1	n/a	-8.7 <sup>[d]</sup>

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

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

<sup>[c]</sup> 4 October 1999, the end of the initial offer period of the predecessor unit trust.

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

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

From To	31.12.12 31.12.13 %	30.12.11 31.12.12 %	31.12.10 30.12.11 %	31.12.09 31.12.10 %	31.12.08 31.12.09 %
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<b>Sterling</b>					
Class 'A'	-9.5	+0.9	+10.7	+10.1	-9.0

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

### PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>		<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A'	2009	81.39	65.14	99.94	79.99
	2010	78.87	69.77	98.61	86.58
	2011	84.76	71.83	107.72	90.59
	2012	87.41	80.21	112.14	102.48
	2013	88.45	75.41	113.80	97.25
	2014 <sup>[a]</sup>	75.24	75.24	97.26	97.26
Class 'I'	2012 <sup>[b]</sup>	1,003.79	959.34	1,003.72	959.49
	2013	1,021.81	873.20	1,026.14	879.13
	2014 <sup>[a]</sup>	869.55	869.55	879.17	879.17
Class 'R'	2012 <sup>[b]</sup>	100.37	95.97	100.37	95.97
	2013	102.25	87.19	102.64	87.90
	2014 <sup>[a]</sup>	86.94	86.94	87.90	87.90

<sup>[a]</sup> To 2 January 2014.

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

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

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

### INCOME

#### Interest income per share

	Calendar year	Interim	Distributed Final	Total	Reinvested
<b>Sterling (net)</b>					
Class 'A'	2009	0.6276	0.2904	0.9180	1.1212
	2010	0.4400	0.5540	0.9940	1.2304
	2011	0.6600	0.6040	1.2640	1.5872
	2012	0.4420	0.3840	0.8260	1.0748
	2013	0.2040	0.1900	0.3940	0.5076
	2014 <sup>[a]</sup>	0.1824	-	0.1824	0.2304
Class 'I'	2013	3.3360	3.1812	6.5172	7.8916
	2014 <sup>[a]</sup>	3.6492	-	3.6492	3.0560
Class 'R'	2013	0.3540	0.3392	0.6932	0.7292
	2014 <sup>[a]</sup>	0.2148	-	0.2148	0.2364

<sup>[a]</sup> Up to interim: ex-distribution date 2 January 2014; payment date 28 February 2014.

# M&G International Sovereign Bond Fund

## FUND STATISTICS

### NET ASSETS

	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>		<b>p</b>	<b>p</b>		
Class 'A'	Jun 2011	77.63	98.66	19,094,440	22,573,705
	Jun 2012	84.20	108.06	24,510,440	53,920,750
	Jun 2013	82.87	106.87	18,084,440	41,336,705
	Dec 2013	75.23	97.26	13,844,940	27,209,705
Class 'I'	Jun 2013	957.66	965.25	67,000	415,500
	Dec 2013	869.54	879.38	155,800	739,400
Class 'R'	Jun 2013	95.79	96.51	281,000	71,000
	Dec 2013	86.94	87.88	57,000	71,000

### Total net asset value of sub-fund

Period ended	£	€ [a]
Jun 2011	37,095,000	41,018,000
Jun 2012	78,906,000	97,867,000
Jun 2013	64,154,000	74,780,000
Dec 2013	44,848,000	53,834,000

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

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'AAA' credit rated bonds</b>		<b>66.88</b>	<b>77.17</b>
CAD3,500,000 Canada (Govt. of) 2.75% 2022	2,011	4.48	
CAD6,500,000 Canada (Govt. of) 3.25% 2021	3,912	8.72	
CAD500,000 Canada (Govt. of) 5% 2037	369	0.82	
DKK24,500,000 Denmark (Kingdom of) 3% 2021	3,016	6.72	
€500,000 Germany (Federal Republic of) 0.1% IL 2023	420	0.94	
€2,000,000 Germany (Federal Republic of) 1.5% IL 2016	2,013	4.49	
€3,500,000 Germany (Federal Republic of) 1.75% IL 2020	3,526	7.86	
€2,000,000 Germany (Federal Republic of) 4.75% 2034	2,198	4.90	
€1,000,000 Germany (Federal Republic of) 5.5% 2031	1,161	2.59	
€500,000 Germany (Federal Republic of) 6.5% 2027	615	1.37	
NOK5,000,000 KfW 5.25% 2017	546	1.22	
NOK50,000,000 Norway (Kingdom of) 2% 2023	4,580	10.21	
SEK25,000,000 Sweden (Kingdom of) 1.5% 2023	2,138	4.77	
SEK5,000,000 Sweden (Kingdom of) 3.5% 2022	512	1.14	
SEK5,000,000 Sweden (Kingdom of) 3.5% 2039	494	1.10	
SEK15,000,000 Sweden (Kingdom of) 5% 2020	1,670	3.73	
\$1,500,000 Temasek Financial I 2.375% 2023	817	1.82	
<b>'AA' credit rated bonds</b>		<b>26.00</b>	<b>16.06</b>
\$100,000 Bermuda (Govt. of) 5.603% 2020	65	0.14	
CLP700,000,000 Chile (Republic of) 5.5% 2020	818	1.82	
¥105,150,000 Japan (Govt. of) 1.5% 2019	644	1.44	
¥10,100,000 Japan (Govt. of) 2.3% 2027	68	0.15	
\$4,000,000 US Treasury 0.125% 2016	2,628	5.86	
\$1,000,000 US Treasury 0.125% 2017	639	1.42	

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>'AA' credit rated bonds (continued)</b>			
\$4,000,000 US Treasury 0.5% IL 2015	2,665	5.94	
\$650,000 US Treasury 1.75% 2022	364	0.81	
\$1,670,000 US Treasury 2% 2016	1,267	2.83	
\$2,000,000 US Treasury 2.125% IL 2019	1,470	3.28	
\$1,750,000 US Treasury 3.75% 2041	1,037	2.31	
<b>'A' credit rated bonds</b>		<b>2.34</b>	<b>1.86</b>
MXN20,000,000 Mexico (United Mexican States) 8.5% 2029	1,048	2.34	
<b>'BBB' credit rated bonds</b>		<b>1.04</b>	<b>0.00</b>
\$750,000 Iceland (Republic of) 5.875% 2022	465	1.04	
<b>Bonds with no credit rating</b>		<b>0.91</b>	<b>0.70</b>
\$700,000 Tunisia (Govt. of) 1.686% 2019	409	0.91	
<b>Forward currency contracts</b>		<b>0.38</b>	<b>2.23</b>
€1,850,000 Bought for HUF556,609,500 (expires 20.02.14)	(16)	(0.04)	
€3,700,000 Bought for \$4,995,518 (expires 20.02.14)	59	0.13	
HUF218,743,200 Bought for €720,000 (expires 20.02.14)	12	0.03	
¥660,000,000 Bought for \$6,613,889 (expires 20.02.14)	(197)	(0.44)	
PEN10,462,120 Bought for \$3,700,000 (expires 20.02.14)	7	0.02	
PHP141,570,000 Bought for \$3,250,000 (expires 20.02.14)	(35)	(0.08)	
RUB31,920,000 Bought for \$950,000 (expires 20.02.14)	8	0.02	
\$5,618,400 Bought for AUD6,000,000 (expires 20.02.14)	163	0.36	
\$3,284,424 Bought for BRL7,650,000 (expires 20.02.14)	48	0.11	
\$8,358,009 Bought for CAD8,750,000 (expires 20.02.14)	83	0.19	
\$4,000,000 Bought for CLP2,101,080,000 (expires 20.02.14)	18	0.04	
\$2,006,625 Bought for £1,250,000 (expires 20.02.14)	(35)	(0.08)	
\$3,250,000 Bought for IDR39,747,500,000 (expires 20.02.14)	7	0.02	
\$6,545,788 Bought for NOK40,000,000 (expires 20.02.14)	(18)	(0.04)	
\$6,336,495 Bought for NZD7,650,000 (expires 20.02.14)	42	0.09	
\$3,250,000 Bought for RUB109,248,750 (expires 20.02.14)	(28)	(0.06)	
\$4,974,899 Bought for SEK33,000,000 (expires 20.02.14)	(102)	(0.23)	
\$3,250,000 Bought for TRY6,654,375 (expires 20.02.14)	104	0.23	
\$3,317,494 Bought for ZAR34,000,000 (expires 20.02.14)	68	0.15	
ZAR12,750,000 Bought for \$1,235,525 (expires 20.02.14)	(20)	(0.04)	
<b>Interest rate futures contracts</b>		<b>0.51</b>	<b>0.00</b>
(150) 10 Year US Treasury Note Mar 2014	225	0.51	
<b>'AAA' rated money market funds [a]</b>		<b>1.75</b>	<b>0.08</b>
785,000 Northern Trust Global Fund - Sterling	785	1.75	
<b>Portfolio of investments</b>	<b>44,763</b>	<b>99.81</b>	<b>98.10</b>
<b>Net other assets</b>	<b>85</b>	<b>0.19</b>	<b>1.90</b>
<b>Net assets attributable to shareholders</b>	<b>44,848</b>	<b>100.00</b>	<b>100.00</b>

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

# M&G International Sovereign Bond Fund

## PORTFOLIO

### COUNTERPARTY EXPOSURE

Counterparty	Financial derivative exposure		
	Forward currency contracts	Futures	Total
	£'000	£'000	£'000
Royal Bank of Scotland	0	225	225
State Street Bank	168	0	168
<b>Total</b>	<b>168</b>	<b>225</b>	<b>393</b>

### PORTFOLIO TRANSACTIONS

for the six months ended 31 December 2013

Purchases	£'000
10 Year US Treasury Note Dec 2013 <sup>[a]</sup>	7,811
Germany (Federal Republic of) 1.75% IL 2020 (€)	3,653
US Treasury 0.125% 2016 (\$)	2,708
Germany (Federal Republic of) 0.75% IL 2018 (€)	2,376
Germany (Federal Republic of) 1.5% IL 2016 (€)	2,025
Mexico (United Mexican States) 7.5% 2027 (MXN)	1,329
US Treasury 2% 2016 (\$)	1,274
Korea (Republic of) 3.875% 2023 (KRW)	1,266
Germany (Federal Republic of) 4.75% 2034 (€)	1,124
US Treasury 0.125% 2017 (\$)	698
Iceland (Republic of) 5.875% 2022 (\$)	517
Bermuda (Govt. of) 5.603% 2023 (\$)	72
Northern Trust Global Fund - Sterling <sup>[b]</sup>	10,731
<b>Total purchases</b>	<b>35,584</b>
Sales	£'000
10 Year US Treasury Note Mar 2014 <sup>[a]</sup>	11,539
10 Year US Treasury Note Dec 2013 <sup>[a]</sup>	7,888
Sweden (Kingdom of) 3.5% 2022 (SEK)	4,122
Germany (Federal Republic of) 0.1% IL 2023 (€)	4,069
Norway (Kingdom of) 2% 2021 (NOK)	2,900
Germany (Federal Republic of) 0.75% 2018 (€)	2,324
Germany (Federal Republic of) 4.75% 2034 (€)	2,238
Germany (Federal Republic of) 6.5% 2027 (€)	1,974
Denmark (Kingdom of) 3% 2021 (DKK)	1,915
Germany (Federal Republic of) 5.5% 2031 (€)	1,780
Sweden (Kingdom of) 4% 2020 (SEK)	1,731
US Treasury 6.125% 2027 (\$)	1,274
Korea (Republic of) 3.875% 2023 (KRW)	1,256
Mexico (United Mexican States) 7.5% 2027 (MXN)	1,241
Sweden (Kingdom of) 3.5% 2039 (SEK)	1,035
Germany (Federal Republic of) 5.625% 2028 (€)	933
Canada (Govt. of) 3.25% 2021 (CAD)	644
US Treasury 2% 2021 (\$)	547
US Treasury 1.875% 2017 (\$)	406
Northern Trust Global Fund - Sterling <sup>[b]</sup>	9,999
<b>Total sales</b>	<b>59,815</b>

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

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

## INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 31 December 2013.

### STATEMENT OF TOTAL RETURN

	2013		2012	
	£'000	£'000	£'000	£'000
Income				
Net capital losses		(5,123)		(882)
Revenue	471		729	
Expenses	(306)		(480)	
Finance costs: Interest	0		(1)	
Net revenue before taxation	165		248	
Taxation	0		(2)	
Net revenue after taxation		165		246
<b>Total return before distributions</b>		<b>(4,958)</b>		<b>(636)</b>
Finance costs: Distributions		(165)		(247)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>(5,123)</b>		<b>(883)</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>64,154</b>		<b>78,906</b>
Amounts received on issue of shares	15,403		12,890	
Amounts paid on cancellation of shares	(29,671)		(9,772)	
		(14,268)		3,118
Change in net assets attributable to shareholders from investment activities (see above)		(5,123)		(883)
Retained distributions on Accumulation shares		85		145
<b>Closing net assets attributable to shareholders</b>		<b>44,848</b>		<b>81,286</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 International Sovereign Bond Fund

## INTERIM FINANCIAL STATEMENTS (unaudited)

### BALANCE SHEET

	as at 31 December 2013		as at 30 June 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		45,214		64,038
Debtors	4,035		1,420	
Cash and bank balances	3,928		1,366	
<b>Total other assets</b>		<b>7,963</b>		<b>2,786</b>
<b>Total assets</b>		<b>53,177</b>		<b>66,824</b>
<b>Liabilities</b>				
Investment liabilities		(451)		(1,100)
Creditors				
Net distributions payable on Income shares	(31)		(37)	
Other creditors	(7,787)		(1,533)	
Bank overdrafts	(60)		0	
<b>Total other liabilities</b>		<b>(7,878)</b>		<b>(1,570)</b>
<b>Total liabilities</b>		<b>(8,329)</b>		<b>(2,670)</b>
<b>Net assets attributable to shareholders</b>		<b>44,848</b>		<b>64,154</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 June 2013. 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 International Sovereign Bond Fund

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# M&G Recovery Fund

## AUTHORISED CORPORATE DIRECTOR'S REPORT

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

The Fund predominantly invests in a diversified range of securities issued by companies which are out of favour, in difficulty or whose future prospects are not fully recognised by the market. The sole aim of the Fund is capital growth. There is no particular income yield target.

### Investment approach

The M&G Recovery Fund invests in companies that are out of favour with the stockmarket where a good management team is making concerted efforts to turn the business around. The fund manager takes a long-term view with a typical holding period of five years or more and aims to provide a diversified portfolio of up to 100 stocks. Developing a constructive dialogue with company management is a fundamental part of the investment process and the fund manager will not invest in a company unless he has met the management team first.

### 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 REVIEW

As at 2 January 2014, for the six months ended 31 December 2013

### Factors affecting performance

The improving market environment began to benefit the recovery strategy during the second half of the review period. However, the fund's underweight to telecommunications – primarily not holding Vodafone and British Telecom – was detrimental to performance. Stocks in producers of basic materials and in the oil & gas sector also detracted. On a positive note, contributions from healthcare, consumer services and financials were particularly strong.

At a stock level, speciality healthcare company BTG added the most value to the fund over the period. BTG's leading treatment, Varithena for varicose veins, was approved by the Food and Drug Administration (FDA) in the US in November 2013, an important milestone for the company. Varithena offers a much quicker recovery period over current treatments and can be performed in outpatient clinics. BTG has multiple revenue streams and is cash-generative. This has enabled the company to self-finance the development of its product pipeline and keep all the rights to the products. With the FDA approval of Varithena, we believe investors are starting to recognise the value in the company as reflected by the strong rise in the share price at the end of the period.

Also in the healthcare sector, biopharmaceutical company GW Pharmaceuticals performed well. GW Pharmaceuticals develops and commercialises cannabinoid medicines for a broad range of diseases; cannabinoids are diverse chemical compounds that the company extracts from different cannabis plant varieties. Treatments include Sativex for spasticity due to multiple sclerosis, and which is now also in trials as a pain treatment in cancer patients, and early-stage trials for Epidiolex for the treatment of severe childhood epilepsy. Having been invested in the company for 10 years, we believe 2014 could be a transformative year for GW Pharmaceuticals as its pipeline delivers important clinical milestones.

Elsewhere, flexible workspace supplier, Regus added value to the fund throughout the period. The company is progressing well on its recovery journey, which is being reflected in a substantial rerating of the share price. Regus is also a cyclical business and will further benefit from the strengthening macroeconomic recovery. In November, we visited the company's operation in Singapore, where the number of office centres has grown from four to 15 in the past 18 months, and it was encouraging to see how the company's strategy is developing in this region.

Throughout 2013, we highlighted the level of unrecognised value within the M&G Recovery Fund portfolio and in the above stocks we are beginning to see some of this value being realised through higher share prices.

Conversely, while not holding Vodafone cost us the most performance over the period (as the stock was up over 20%), of our holdings, Tullow Oil was the largest detractor. Tullow has had a torrid year with investor sentiment very negative towards the stock. The company reported a number of dry wells; however, we believe in

# M&G Recovery Fund

## INVESTMENT REVIEW

Tullow's high intensity exploration-led strategy and its ability to manage its capital expenditure. The company has added a tremendous amount of value to the fund in the past and we believe the shares are now fairly inexpensive.

Indian power company KSK Power Ventur also lost value after a disappointing set of interim financial results, while in the technology sector, Imagination Technologies struggled with ongoing concerns about slower licensing growth, lower revenue per chip and increasing competition.

### Changes to the portfolio

The biggest single change for 2013 has been our appreciable reinvestment back into financials with the gradual reintroduction of some of the holdings in the banking sector, notably Royal Bank of Scotland (RBS) and Lloyds Banking Group (Lloyds) earlier in 2013. This trend continued in the second half of the year (the period under review) when we began to build a position in Standard Chartered Bank. Standard Chartered has significant exposure to emerging markets and as that region had suffered so the bank's share price came under pressure. We also topped up our holdings in both RBS and Lloyds. As a result, the fund's underweight to financials halved over the 12 months to 31 December 2013.

Over the review period we introduced a number of other recovery candidates, including Quindell, a software supplier and process outsourcer to the insurance industry. We became a cornerstone investor through a capital raising to fund growth and over time we think it will be a highly cash-generative business. We also reinitiated a holding in Rio Tinto, a FTSE 100 mining company after a management change at Rio triggered our interest again. The new team is more focused on cash generation and implementing their more shareholder-friendly strategy and we were able to purchase the stock at an attractive valuation.

We took part in fund raisings for some of our existing holdings, including Corac Group, Eco Animal Health and Kenmare Resources and we also added to our positions in KSK Power Ventur and iEnergiser following a visit to their plants in India.

In terms of disposals, we sold our positions in dairy company Glanbia and oil services provider Hunting as both had successfully completed their structural recovery process. Glanbia and Hunting had both provided excellent returns for the fund. We also took profits by trimming our holdings in Centrica, BTG and Inchcape.

### Outlook

By its very nature, there will always be companies in the fund that are struggling in the very initial stages of their recovery, however, at a broader level, we are very encouraged by early signs of increasing investor confidence and the beginnings of a renewed focus on company fundamentals. We expect the improving macroeconomic environment to help reduce the time our companies spend in the second stage of their recovery journey. We have some tremendous companies in both stage one and stage two accounting for some two thirds of the portfolio – this is performance yet to come.

Over the past couple of years, the market has not always been favourable to our approach, but we believe this is now changing. In particular, signs of life in new issues, capital raisings and merger and acquisition (M&A) activity are hugely positive. While we are not trying to pick the next takeover candidate, historically, M&A activity has been beneficial for the fund.

We actively engage on a regular basis with the people that run the businesses we invest in and we are looking to build a strong relationship with them over time. Recent meetings with many of the companies we are supporting have convinced us that they are making significant strides towards corporate recovery and we are confident that the foundations for the future success of the fund are being built. We believe the value within the businesses will be realised through materially higher share prices and that a substantial 'value gap' exists in many of the companies we hold.

We are working very hard to ensure that performance improves, maintaining our constructive dialogue with the companies we are invested in. Periods of mild disappointment are not unusual in recovery investing and we are absolutely committed to making this fund work. The combination of our contrarian nature, our investment process and confidence in the current constituents of the portfolio, convince us that we are now entering a very exciting time for recovery investing.

### Tom Dobell

Fund manager

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

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

# M&G Recovery Fund

## FUND STATISTICS

Sterling Class 'C' shares are not generally available to all investors.

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.07.14	31.08.14
Interim	02.01.15	28.02.15

	Interim distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc <sup>[a]</sup>	Acc <sup>[a]</sup>	31.12.13	30.06.13
<b>Sterling</b>	p	p	%	%
Class 'A'	0.3371	0.7455	1.65	1.65
Class 'C'	1.3497	3.3839	0.15	0.15
Class 'I'	0.8402	1.9032	0.90	0.97
Class 'R'	0.5785	0.5869	1.15	1.16 <sup>[c]</sup>
Class 'X'	0.3395	0.7379	1.65	1.65
<b>Euro</b>	¢	¢	%	%
Class 'A'	n/a	6.3372	1.65	1.65
Class 'C'	n/a	17.0180	0.91	0.90

<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 comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had not been in existence for a full financial year.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.12.13		Net asset value per share as at 30.06.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
<b>Sterling</b>	p	p	p	p	%	%
Class 'A'	136.03	301.56	124.98	276.43	+8.84	+9.09
Class 'C'	136.44	345.46	125.30	314.19	+8.89	+9.95
Class 'I'	135.96	310.05	124.92	282.76	+8.84	+9.65
Class 'R'	116.99	119.35	107.43	109.02	+8.90	+9.48
Class 'X'	136.94	298.43	125.80	273.53	+8.86	+9.10
<b>Euro</b>	€	€	€	€	%	%
Class 'A'	n/a	25.4560	n/a	22.6536	n/a	+12.37
Class 'C'	n/a	27.7048	n/a	24.5673	n/a	+12.77

## PERFORMANCE SINCE LAUNCH

	six months 01.07.13 %	one year 02.01.13 %	five years 02.01.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+8.0	+11.6	+12.4	+12.3 <sup>[c]</sup>
Class 'C'	+8.0	+11.6	+12.5	+9.3 <sup>[d]</sup>
Class 'I'	+8.0	+11.6	n/a	+6.3 <sup>[e]</sup>
Class 'R'	+8.0	+11.5	n/a	+11.6 <sup>[f]</sup>
Class 'X'	+8.0	+11.6	+12.4	+10.6 <sup>[g]</sup>
<b>Euro <sup>[h]</sup></b>				
Class 'A'	+12.0	+10.4	+17.0	+8.8 <sup>[i]</sup>
Class 'C'	+12.4	+11.3	+17.9	+9.7 <sup>[i]</sup>

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

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

<sup>[c]</sup> 23 May 1969, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 1 July 2004, the launch date of the share class.

<sup>[e]</sup> 15 January 2010, the launch date of the share class.

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

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

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

<sup>[i]</sup> 29 November 2002, the launch date of the share class.

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

From	31.12.12	30.12.11	31.12.10	31.12.09	31.12.08
To	31.12.13	31.12.12	30.12.11	31.12.10	31.12.09
	%	%	%	%	%
<b>Sterling</b>					
Class 'A'	+14.1	+8.7	-6.3	+16.5	+40.8

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

# M&G Recovery Fund

## FUND STATISTICS

### PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>		<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A'	2009	104.61	65.00	222.95	137.00
	2010	120.36	94.33	259.17	203.12
	2011	125.29	100.47	271.43	217.66
	2012	125.81	111.03	273.50	241.33
	2013	136.26	120.37	301.36	264.74
	2014 <sup>[a]</sup>	135.88	135.88	301.25	301.25
Class 'C'	2009	105.57	65.24	240.44	145.96
	2010	121.48	94.50	283.75	220.73
	2011	125.66	101.13	299.49	241.03
	2012	126.53	111.85	304.89	269.53
	2013	137.67	120.70	345.14	298.72
	2014 <sup>[a]</sup>	136.28	136.28	345.05	345.05
Class 'I'	2010 <sup>[b]</sup>	120.65	94.25	260.78	203.72
	2011	125.25	100.59	274.03	220.09
	2012	125.91	111.25	277.36	245.02
	2013	136.72	120.32	309.44	269.89
	2014 <sup>[a]</sup>	135.83	135.83	309.34	309.34
Class 'R'	2012 <sup>[c]</sup>	105.94	98.72	105.94	98.72
	2013	117.43	103.52	119.16	104.16
	2014 <sup>[a]</sup>	116.81	116.81	119.12	119.12
Class 'X'	2009	105.29	65.42	220.60	135.56
	2010	121.15	94.95	256.44	200.98
	2011	126.11	101.13	268.58	215.37
	2012	126.63	111.75	270.63	238.79
	2013	137.16	121.16	298.20	261.96
	2014 <sup>[a]</sup>	136.77	136.77	298.10	298.10
<b>Euro (net)</b>		<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Class 'A'	2009	n/a	n/a	17.5926	10.6446
	2010	n/a	n/a	21.3619	16.9549
	2011	n/a	n/a	22.3331	17.7338
	2012	n/a	n/a	23.4642	20.6102
	2013	n/a	n/a	25.4330	22.1481
	2014 <sup>[a]</sup>	n/a	n/a	25.5723	25.5723
Class 'C'	2009	n/a	n/a	18.5839	11.1762
	2010	n/a	n/a	22.7316	17.9250
	2011	n/a	n/a	23.7748	18.9651
	2012	n/a	n/a	25.2971	22.1026
	2013	n/a	n/a	27.6871	23.9826
	2014 <sup>[a]</sup>	n/a	n/a	27.8399	27.8399

<sup>[a]</sup> To 2 January 2014.

<sup>[b]</sup> From 15 January 2010 (the launch date of the share class).

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

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

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

## INCOME

### Dividend income per share

	Calendar year	Interim	Distributed	Total	Reinvested
			Final		
<b>Sterling (net)</b>		<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A'	2009	0.6340	0.8990	1.5330	3.2202
	2010	0.4230	0.5840	1.0070	2.1512
	2011	0.0680	0.6710	0.7390	1.5920
	2012	0.3690	0.9610	1.3300	2.8833
	2013	0.4190	0.6973	1.1163	2.4526
	2014 <sup>[a]</sup>	0.3371	-	0.3371	0.7455
Class 'C'	2009	1.2620	1.4630	2.7250	6.0495
	2010	1.1460	1.3590	2.5050	5.7392
	2011	0.8930	1.5780	2.4710	5.7987
	2012	1.2090	1.8500	3.0590	7.3383
	2013	1.3190	1.6548	2.9738	7.3176
	2014 <sup>[a]</sup>	1.3497	-	1.3497	3.3839
Class 'I'	2010	n/a	0.9430	0.9430	2.0180
	2011	0.4250	1.0610	1.4860	3.2199
	2012	0.7310	1.3390	2.0700	4.5318
	2013	0.8070	1.1510	1.9580	4.3817
	2014 <sup>[a]</sup>	0.8402	-	0.8402	1.9032
Class 'R'	2013	0.6450	0.9181	1.5631	1.5714
	2014 <sup>[a]</sup>	0.5785	-	0.5785	0.5869
Class 'X'	2009	0.6420	0.9040	1.5460	3.1924
	2010	0.4260	0.5850	1.0110	2.1233
	2011	0.0720	0.6750	0.7470	1.5820
	2012	0.3710	0.9620	1.3330	2.8500
	2013	0.4230	0.7050	1.1280	2.4272
	2014 <sup>[a]</sup>	0.3395	-	0.3395	0.7379
<b>Euro (net)</b>		<b>¢</b>	<b>¢</b>	<b>¢</b>	<b>¢</b>
Class 'A'	2009	n/a	n/a	n/a	25.0230
	2010	n/a	n/a	n/a	17.8630
	2011	n/a	n/a	n/a	12.2330
	2012	n/a	n/a	n/a	24.8020
	2013	n/a	n/a	n/a	20.1671
	2014 <sup>[a]</sup>	n/a	n/a	n/a	6.3372
Class 'C'	2009	n/a	n/a	n/a	36.6990
	2010	n/a	n/a	n/a	32.6860
	2011	n/a	n/a	n/a	28.9480
	2012	n/a	n/a	n/a	43.6873
	2013	n/a	n/a	n/a	40.2452
	2014 <sup>[a]</sup>	n/a	n/a	n/a	17.0180

<sup>[a]</sup> Up to interim: ex-distribution date 2 January 2014; payment date 28 February 2014.

# M&G Recovery Fund

## FUND STATISTICS

NET ASSETS					
	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>					
Class 'A'	Jun 2011	119.97	259.89	1,273,643,677	1,245,994,043
	Jun 2012	112.63	246.89	1,242,005,677	1,262,807,043
	Jun 2013	124.98	276.43	885,784,177	1,098,157,243
	Dec 2013	136.03	301.56	775,098,177	942,498,843
Class 'C'	Jun 2011	120.27	286.65	327,708,955	68,694,669
	Jun 2012	112.90	276.45	168,073,911	418,749,201
	Jun 2013	125.30	314.19	123,474,411	375,857,201
	Dec 2013	136.44	345.46	118,687,611	370,106,001
Class 'I'	Jun 2011	119.90	262.83	154,789,000	11,414,500
	Jun 2012	112.56	250.86	272,921,000	36,743,500
	Jun 2013	124.92	282.76	282,235,500	80,327,000
	Dec 2013	135.96	310.05	253,412,000	155,093,000
Class 'R'	Jun 2013	107.43	109.02	1,532,000	1,854,600
	Dec 2013	116.99	119.35	1,713,000	3,038,600
Class 'X'	Jun 2011	120.75	257.17	130,256,176	205,292,365
	Jun 2012	113.37	244.30	129,783,176	206,084,365
	Jun 2013	125.80	273.53	122,679,176	178,450,865
	Dec 2013	136.94	298.43	117,012,476	162,288,165
<b>Euro</b>					
		€	€		
Class 'A'	Jun 2011	n/a	20.2070	n/a	8,404,137
	Jun 2012	n/a	21.5301	n/a	8,299,237
	Jun 2013	n/a	22.6536	n/a	3,276,037
	Dec 2013	n/a	25.4560	n/a	3,061,237
Class 'C'	Jun 2011	n/a	21.5853	n/a	23,835,290
	Jun 2012	n/a	23.1723	n/a	19,380,590
	Jun 2013	n/a	24.5673	n/a	8,776,490
	Dec 2013	n/a	27.7048	n/a	7,446,990
<b>Total net asset value of sub-fund</b>					
	Period ended	£		€ [a]	
	Jun 2011	6,876,905,000		7,604,674,000	
	Jun 2012	7,420,109,000		9,203,206,000	
	Jun 2013	6,952,746,000		8,104,390,000	
	Dec 2013	7,049,453,000		8,461,965,000	

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

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Oil &amp; gas producers</b>		<b>14.55</b>	<b>15.11</b>
107,746,651 African Petroleum	5,247	0.07	
100,000,000 BP	490,100	6.95	
15,262,450 Nostrum Oil & Gas	108,612	1.54	
11,300,000 Royal Dutch Shell 'B'	257,471	3.65	
23,983,178 Tap Oil	6,554	0.09	
18,500,000 Tullow Oil	158,453	2.25	
<b>Oil equipment, services &amp; distribution</b>		<b>0.90</b>	<b>0.98</b>
16,125,192 Cape	45,030	0.64	
13,012,871 Lamprell	18,120	0.26	
<b>Alternative energy</b>		<b>0.23</b>	<b>0.24</b>
6,080,987 Porvair	16,556	0.23	
<b>Industrial metals &amp; mining</b>		<b>1.97</b>	<b>1.75</b>
12,750,000 First Quantum Minerals	138,682	1.97	
<b>Mining</b>		<b>3.09</b>	<b>2.55</b>
11,562,000 Great Eastern Energy GDR	16,765	0.24	
450,288,462 Kenmare Resources	93,345	1.32	
8,157,692 Kenmare Resources Wts. 2019	0	0.00	
32,000,000 Petra Diamonds	37,824	0.54	
1,750,000 Rio Tinto	59,728	0.85	
30,960,000 St Barbara	4,356	0.06	
55,536,586 White Energy Company	5,560	0.08	
<b>Construction &amp; materials</b>		<b>2.22</b>	<b>1.90</b>
13,000,000 Balfour Beatty	37,414	0.53	
11,000,000 Kingspan Group	118,855	1.69	
<b>Aerospace &amp; defence</b>		<b>2.95</b>	<b>2.93</b>
30,000,000 Cobham	82,170	1.17	
17,500,000 Meggitt	92,050	1.31	
15,306,785 QinetiQ Group	33,308	0.47	
<b>General industrials</b>		<b>2.09</b>	<b>2.17</b>
10,000,000 Smiths Group	147,700	2.09	
<b>Electronic &amp; electrical equipment</b>		<b>0.96</b>	<b>0.87</b>
14,930,398 Morgan Advanced Materials	47,016	0.67	
16,600,000 Silex Systems	20,301	0.29	
<b>Industrial engineering</b>		<b>0.56</b>	<b>0.36</b>
26,500,000 Renold	13,118	0.19	
43,560,248 Severfield-Rowen	26,136	0.37	
<b>Industrial transportation</b>		<b>1.26</b>	<b>0.90</b>
40,426,760 Stobart Group	55,890	0.79	
5,389,325 UK Mail Group	33,387	0.47	
<b>Support services</b>		<b>8.10</b>	<b>7.90</b>
5,500,000 Aggreko	94,490	1.34	
3,000,000 DCC	88,770	1.26	
10,000,000 De La Rue	87,400	1.24	
30,000,000 Homeserve	81,300	1.15	
29,553,180 Lavendon Group	50,758	0.72	
78,000,000 Regus	168,402	2.39	
<b>Beverages</b>		<b>0.93</b>	<b>0.91</b>
18,453,897 C&C Group	65,660	0.93	
<b>Food producers</b>		<b>2.69</b>	<b>3.91</b>
6,408,630 REA Holdings	28,214	0.40	
6,500,000 Unilever	161,200	2.29	
<b>Healthcare equipment &amp; services</b>		<b>0.58</b>	<b>0.60</b>
3,228,911 Bioquell	4,458	0.06	
3,064,551 Synergy Health	36,775	0.52	

# M&G Recovery Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Pharmaceuticals &amp; biotechnology</b>			
25,000,000 BTG	143,500	2.04	
21,500,000 GlaxoSmithKline	346,473	4.91	
615,000 GW Pharmaceuticals ADR	14,756	0.21	
34,062,943 Mesoblast	107,646	1.53	
214,274,131 Oxford Biomedica	4,928	0.07	
<b>Food &amp; drug retailers</b>			
45,000,000 Booker Group	73,125	1.04	
26,000,000 United Drug	84,760	1.20	
<b>General retailers</b>			
30,000,000 Carphone Warehouse	80,700	1.14	
15,000,000 Inchcape	92,025	1.31	
13,167,971 Mothercare	51,059	0.72	
<b>Media</b>			
12,500,000 British Sky Broadcasting Group	105,500	1.50	
33,000,000 Entertainment One	85,701	1.22	
<b>Travel &amp; leisure</b>			
8,750,000 Compass Group	84,481	1.20	
12,400,000 easyJet	189,348	2.69	
47,123,967 Enterprise Inns	72,854	1.03	
34,000,000 National Express	93,534	1.33	
<b>Electricity</b>			
23,340,852 KSK Power Ventur	32,911	0.47	
<b>Gas, water &amp; multi-utilities</b>			
10,000,000 Centrica	34,640	0.49	
10,788,686 Pennon Group	71,151	1.01	
<b>Banks</b>			
60,000,000 HSBC Holdings	398,100	5.65	
267,693,936 Lloyds Banking Group	210,889	2.99	
29,414,918 Royal Bank of Scotland Group	99,687	1.41	
3,000,000 Standard Chartered	40,920	0.58	
<b>Non-life insurance</b>			
8,181,970 Novae Group	51,137	0.73	
<b>Life insurance</b>			
34,750,000 Aviva	156,201	2.22	
20,400,000 Prudential	273,360	3.88	
<b>Real estate investment trusts</b>			
9,000,000 Land Securities Group	86,085	1.22	
<b>Financial services</b>			
95,869 Camellia	8,255	0.12	
<b>Software &amp; computer services</b>			
<b>Technology hardware &amp; equipment</b>			
23,000,000 Imagination Technologies Group	40,940	0.58	
35,000,000 Pace	111,230	1.58	
<b>AIM quoted</b>			
72,752,270 Advanced Computer Software	75,844	1.08	
36,011,085 African Minerals	72,022	1.02	
21,790,683 Avanti Communications	53,060	0.75	
155,553,963 Coal of Africa	8,944	0.13	
83,539,919 Corac Group	8,563	0.12	
9,339,659 Eco Animal Health	19,613	0.28	
21,907,125 Greenko Group	36,585	0.52	
47,623,877 Gulf Keystone Petroleum	82,270	1.17	
18,861,389 GW Pharmaceuticals	37,251	0.53	
19,790,250 iEnergizer	42,945	0.61	
12,423,000 Indus Gas	108,204	1.53	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>AIM quoted (continued)</b>			
57,538,948 Jubilee Platinum	1,726	0.02	
38,681,231 OPG Power Ventures	22,048	0.31	
437,500,000 Quindell	82,031	1.16	
4,386,122 Redhall Group	2,456	0.03	
101,732,791 Sierra Rutile	63,074	0.89	
82,116,122 SPARK Ventures	7,390	0.10	
28,797,500 Sylvania Platinum	1,728	0.02	
318,050,895 Toumaz	12,722	0.18	
44,113,908 Zambeef Products	15,440	0.22	
<b>Unquoted / unlisted</b>			
39,868,814 Alizyme <sup>[a]</sup>	0	0.00	
3,094,020 Izodia <sup>[b]</sup>	0	0.00	
<b>'AAA' rated money market funds <sup>[c]</sup></b>			
14,690,000 Northern Trust Global Fund - Sterling	14,690	0.21	
<b>Portfolio of investments</b>	<b>7,051,677</b>	<b>100.03</b>	<b>99.92</b>
<b>Net other (liabilities) / assets</b>	<b>(2,224)</b>	<b>(0.03)</b>	<b>0.08</b>
<b>Net assets attributable to shareholders</b>	<b>7,049,453</b>	<b>100.00</b>	<b>100.00</b>

<sup>[a]</sup> Suspended on 24 July 2009.

<sup>[b]</sup> Suspended on 12 May 2009.

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

# M&G Recovery Fund

## PORTFOLIO

### PORTFOLIO TRANSACTIONS

for the six months ended 31 December 2013

Largest purchases	£'000
Quindell	70,000
Rio Tinto	56,443
Standard Chartered	44,569
Royal Bank of Scotland Group	20,534
Lamprell	18,556
Enterprise Inns	14,424
Lloyds Banking Group	12,780
KSK Power Ventur	11,193
Kenmare Resources	10,447
Lavendon Group	9,127
Balfour Beatty	7,687
iEnergizer	7,596
Aviva	7,460
Pennon Group	5,560
Gulf Keystone Petroleum	4,177
Toumaz	3,885
HSBC Holdings	3,715
Eco Animal Health	2,840
Petra Diamonds	2,356
Greenko Group	2,303
Northern Trust Global Fund - Sterling <sup>[a]</sup>	251,940
Other purchases	14,083
<b>Total purchases</b>	<b>581,675</b>
Largest sales	£'000
Invensys	174,687
Centrica	90,184
easyJet	47,119
BTG	44,398
Royal Dutch Shell 'B'	41,001
Unilever	39,554
GlaxoSmithKline	33,705
Glanbia	33,016
Hunting	32,808
Inchcape	30,360
DCC	28,031
Smiths Group	20,693
Compass Group	20,637
Prudential	20,047
Booker Group	16,631
Regus	15,570
Kingspan Group	15,559
Pace	15,392
British Sky Broadcasting Group	13,378
United Drug	10,061
Northern Trust Global Fund - Sterling <sup>[a]</sup>	275,551
Other sales	49,426
<b>Total sales</b>	<b>1,067,808</b>

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

## INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 31 December 2013.

### STATEMENT OF TOTAL RETURN

	2013		2012	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		592,152		363,460
Revenue	85,297		99,886	
Expenses	(45,486)		(49,983)	
Finance costs: Interest	(4)		0	
Net revenue before taxation	39,807		49,903	
Taxation	(984)		(485)	
Net revenue after taxation		38,823		49,418
<b>Total return before distributions</b>		<b>630,975</b>		<b>412,878</b>
Finance costs: Distributions		(32,447)		(41,106)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>598,528</b>		<b>371,772</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>6,952,746</b>		<b>7,420,109</b>
Amounts received on issue of shares	318,753		137,379	
Amounts paid on cancellation of shares	(844,480)		(692,649)	
		(525,727)		(555,270)
Stamp Duty Reserve Tax		(1,047)		(1,826)
Change in net assets attributable to shareholders from investment activities (see above)		598,528		371,772
Retained distributions on Accumulation shares		24,935		29,155
Unclaimed distributions		18		12
<b>Closing net assets attributable to shareholders</b>		<b>7,049,453</b>		<b>7,263,952</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.

### BALANCE SHEET

	as at 31 December 2013		as at 30 June 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		7,051,677		6,947,107
Debtors	11,200		40,224	
Cash and bank balances	3,213		0	
<b>Total other assets</b>		<b>14,413</b>		<b>40,224</b>
<b>Total assets</b>		<b>7,066,090</b>		<b>6,987,331</b>
<b>Liabilities</b>				
Creditors				
Net distributions payable on Income shares	(6,751)		(12,347)	
Other creditors	(9,886)		(22,238)	
<b>Total liabilities</b>		<b>(16,637)</b>		<b>(34,585)</b>
<b>Net assets attributable to shareholders</b>		<b>7,049,453</b>		<b>6,952,746</b>

# M&G Recovery Fund

## INTERIM FINANCIAL STATEMENTS (unaudited)

### 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 June 2013. 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 Smaller Companies Fund

## AUTHORISED CORPORATE DIRECTOR'S REPORT

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

The Fund invests in smaller companies, where good management can have most impact on earnings. Investment in such shares can offer prospects of above average capital growth. Income is not a major factor and the yield can be expected to be less than that of the FTSE All-Share Index.

### Investment approach

The manager of the M&G Smaller Companies Fund uses an active, bottom-up approach to identify companies for inclusion in the portfolio. Her investment approach focuses on three areas: scarce assets, growth drivers and valuation.

Company management is among the most crucial variables in deciding whether a small company is likely to be successful and company meetings are a key element of the investment process. Growth drivers may include shifts in the commercial and regulatory environment, changes in consumer behaviour, or a firm's expansion into new markets. The manager takes a comprehensive but flexible approach to company valuation, monitoring a wide range of metrics that she considers most appropriate for each individual stock.

Shares will be held for the long term. However, a company will be sold if it becomes overvalued, is taken over, or if the original reasons for buying no longer apply.

### 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 January 2014, for the six months ended 31 December 2013

We follow a long-term investment approach and aim to keep portfolio turnover low. While maintaining the broad shape of the fund over the six months under review, we made small adjustments to reflect changes in the valuation of existing holdings and capture new investment opportunities.

New positions in the fund included Dairy Crest, Restore and Stock Spirits. Dairy Crest owns the largest cheese-producing plant in the UK and brands such as the Cathedral City cheddar cheese. The company is also investing in a new project to enable the production of demineralised whey powder – which can only be produced through cheese manufacturing – that is used in the production of baby milk formula and is in high demand, particularly from China.

Restore has a leading position in document management in the UK. Following a management change in 2009, the company has refocused its efforts entirely on office services and, in our view, it is now well placed to benefit from healthy margins and good visibility of future earnings.

Stock Spirits listed its shares on the London Stock Exchange via an initial public offering (IPO) in October. The company manufactures and distributes drinks, primarily vodka, in Eastern Europe and could be an attractive takeover target for large beverage conglomerates seeking to strengthen their distribution networks in the region.

Significant sales over the period included Ashtead, Howden Joinery, DCC and Spirax-Sarco Engineering. All had performed very well for the fund and we were able to sell the shares for a good profit, which we reinvested in companies at an earlier stage of their growth journey.

### Louise Nash

Fund manager

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

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

# M&G Smaller Companies Fund

## FUND STATISTICS

Sterling Class 'C' shares are not generally available to all investors.

### DISTRIBUTION DATES AND FUND FACTS

Distribution type	xd	payment
Final	01.07.14	31.08.14
Interim	02.01.15	28.02.15

	Interim distribution		Ongoing Charges Figure <sup>[b]</sup>	
	Inc 28.02.14 <sup>[a]</sup>	Acc 02.01.14 <sup>[a]</sup>	31.12.13	30.06.13
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>%</b>	<b>%</b>
Class 'A'	0.1999	0.4734	1.66	1.66
Class 'C'	2.2410	n/a	0.16	0.16
Class 'I'	6.4867	6.6390	0.91	0.92 <sup>[c]</sup>
Class 'R'	0.4683	0.4301	1.16	1.17 <sup>[c]</sup>
Class 'X'	0.2046	0.4919	1.66	1.66

<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 comparative Ongoing Charges Figure shown here is an estimate of the charges, as the share class had not been in existence for a full financial year.

### FUND PERFORMANCE

#### Performance of share classes

	Net asset value per share as at 31.12.13		Net asset value per share as at 30.06.13		Net asset value % change	
	Inc	Acc	Inc	Acc	Inc	Acc
	p	p	p	p	%	%
<b>Sterling</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>	<b>%</b>	<b>%</b>
Class 'A'	280.75	674.62	237.61	570.60	+18.16	+18.23
Class 'C'	286.90	n/a	242.68	n/a	+18.22	n/a
Class 'I'	1,523.22	1,552.46	1,288.80	1,307.76	+18.19	+18.71
Class 'R'	152.29	154.61	128.86	130.48	+18.18	+18.49
Class 'X'	280.70	666.64	237.57	563.84	+18.15	+18.23

### PERFORMANCE SINCE LAUNCH

	six months 01.07.13 %	one year 02.01.13 %	five years 02.01.09 % p.a. <sup>[a]</sup>	since launch % p.a. <sup>[a]</sup>
<b>Sterling <sup>[b]</sup></b>				
Class 'A'	+19.8	+36.1	+25.4	+10.9 <sup>[c]</sup>
Class 'C'	+19.9	+36.2	+25.5	+10.8 <sup>[d]</sup>
Class 'I'	+19.8	+36.2	n/a	+36.3 <sup>[e]</sup>
Class 'R'	+19.8	+36.1	n/a	+36.3 <sup>[e]</sup>
Class 'X'	+19.8	+36.1	+25.4	+16.0 <sup>[f]</sup>

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

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

<sup>[c]</sup> 27 September 1967, the end of the initial offer period of the predecessor unit trust.

<sup>[d]</sup> 3 January 2006, the launch date of the share class.

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

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

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

From To	31.12.12 31.12.13 %	30.12.11 31.12.12 %	31.12.10 30.12.11 %	31.12.09 31.12.10 %	31.12.08 31.12.09 %
<b>Sterling</b>					
Class 'A'	+38.5	+26.9	-10.5	+30.1	+55.8

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

### PRICES

	Calendar year	Income shares		Accumulation shares	
		Highest	Lowest	Highest	Lowest
<b>Sterling (net)</b>					
Class 'A'	2009	p 143.98	p 85.52	p 336.63	p 198.48
	2010	185.06	135.17	435.26	317.92
	2011	198.69	154.28	469.35	364.46
	2012 <sup>[a]</sup>	207.43	165.06	494.23	390.62
	2013	284.98	207.63	684.30	495.68
Class 'C'	2014 <sup>[b]</sup>	285.78	285.78	686.69	686.69
	2009	147.44	87.37	n/a	n/a
	2010	190.09	137.81	n/a	n/a
	2011	202.84	158.08	n/a	n/a
Class 'I'	2012 <sup>[a]</sup>	213.32	168.49	n/a	n/a
	2013	293.28	212.08	n/a	n/a
	2014 <sup>[b]</sup>	292.09	292.09	n/a	n/a
	2012 <sup>[c]</sup>	1,128.84	999.24	1,128.84	999.24
Class 'R'	2013	1,551.64	1,126.26	1,574.71	1,132.36
	2014 <sup>[b]</sup>	1,550.63	1,550.63	1,580.26	1,580.26
	2012 <sup>[c]</sup>	112.76	99.92	112.76	99.92
	2013	154.95	112.62	156.83	113.11
Class 'X'	2014 <sup>[b]</sup>	155.02	155.02	157.38	157.38
	2009	143.93	85.49	332.66	196.14
	2010	184.99	135.12	430.13	314.18
	2011	198.61	154.22	463.82	360.16
Class 'X'	2012 <sup>[a]</sup>	207.41	165.04	488.40	386.02
	2013	284.94	207.60	676.22	489.82
	2014 <sup>[b]</sup>	285.73	285.73	678.57	678.57

<sup>[a]</sup> The Prudential Small Companies Trust merged into the M&G Smaller Companies Fund immediately after 17 February 2012.

<sup>[b]</sup> To 2 January 2014.

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

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

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

# M&G Smaller Companies Fund

## FUND STATISTICS

### INCOME

#### Dividend income per share

	Calendar year	Interim	Distributed Final	Total	Reinvested
<b>Sterling (net)</b>		<b>p</b>	<b>p</b>	<b>p</b>	<b>p</b>
Class 'A'	2009	0.6730	0.8280	1.5010	3.4721
	2010	0.1290	0.6980	0.8270	1.9350
	2011	0.0730	0.7550	0.8280	1.9482
	2012	0.2550	1.2610	1.5160	3.5777
	2013	0.4080	1.3949	1.8029	4.2618
	2014 [a]	0.1999	-	0.1999	0.4734
Class 'C'	2009	1.5600	1.6390	3.1990	n/a
	2010	1.1300	1.8220	2.9520	n/a
	2011	1.3140	2.2150	3.5290	n/a
	2012	1.5790	2.7080	4.2870	n/a
	2013	1.9300	3.1819	5.1119	n/a
	2014 [a]	2.2410	-	2.2410	n/a
Class 'I'	2013	6.0550	12.2286	18.2836	18.3208
	2014 [a]	6.4867	-	6.4867	6.6390
Class 'R'	2013	0.4880	1.0962	1.5842	1.5380
	2014 [a]	0.4683	-	0.4683	0.4301
Class 'X'	2009	0.6730	0.8280	1.5010	3.4324
	2010	0.1230	0.7020	0.8250	1.9082
	2011	0.0750	0.7640	0.8390	1.9515
	2012	0.2550	1.2530	1.5080	3.5160
	2013	0.4080	1.4046	1.8126	4.1573
	2014 [a]	0.2046	-	0.2046	0.4919

[a] Up to interim: ex-distribution date 2 January 2014; payment date 28 February 2014.

## NET ASSETS

	Period ended	Value per share		Number of shares	
		Inc	Acc	Inc	Acc
<b>Sterling</b>		<b>p</b>	<b>p</b>		
Class 'A'	Jun 2011	188.99	446.45	71,669,243	8,760,493
	Jun 2012	181.86	433.35	89,107,793	8,971,152
	Jun 2013	237.61	570.60	77,111,095	7,922,952
	Dec 2013	280.75	674.62	72,049,493	7,525,252
Class 'C'	Jun 2011	192.86	n/a	542,790	n/a
	Jun 2012	185.59	n/a	58,821,393	n/a
	Jun 2013	242.68	n/a	57,676,193	n/a
	Dec 2013	286.90	n/a	55,857,393	n/a
Class 'I'	Jun 2013	1,288.80	1,307.76	1,695,100	266,700
	Dec 2013	1,523.22	1,552.46	74,690	383,300
Class 'R'	Jun 2013	128.86	130.48	238,000	1,000
	Dec 2013	152.29	154.61	243,000	24,000
Class 'X'	Jun 2011	188.92	441.20	1,695,668	644,412
	Jun 2012	181.84	428.23	1,744,668	588,812
	Jun 2013	237.57	563.84	1,884,268	613,912
	Dec 2013	280.70	666.64	2,114,968	1,080,812

#### Total net asset value of sub-fund

Period ended	£	€ [a]
Jun 2011	181,655,000	200,892,000
Jun 2012	315,781,000	391,664,000
Jun 2013	401,979,000	468,562,000
Dec 2013	433,937,000	520,886,000

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

## PORTFOLIO

### PORTFOLIO STATEMENT

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Oil equipment, services &amp; distribution</b>		<b>4.01</b>	<b>3.06</b>
2,077,773 Cape	5,802	1.34	
438,714 Hunting	3,426	0.79	
1,290,836 Kentz	8,177	1.88	
<b>Chemicals</b>		<b>5.72</b>	<b>5.19</b>
696,183 Carclo	2,005	0.46	
3,160,766 Elementis	8,493	1.96	
3,362,935 Synthomer	8,343	1.92	
326,838 Victrex	5,978	1.38	
<b>Mining</b>		<b>0.25</b>	<b>0.26</b>
929,516 Petra Diamonds	1,099	0.25	
<b>Construction &amp; materials</b>		<b>5.53</b>	<b>4.87</b>
628,536 Galliford Try	7,304	1.68	
15,411,324 Low & Bonar	10,942	2.52	
2,530,157 Tyman	5,750	1.33	
<b>Aerospace &amp; defence</b>		<b>3.73</b>	<b>3.45</b>
3,625,650 Senior	11,149	2.57	
260,704 Ultra Electronics Holdings	5,036	1.16	
<b>Electronic &amp; electrical equipment</b>		<b>5.47</b>	<b>5.61</b>
3,431,772 e2v Technologies	5,148	1.19	
2,125,746 Volex	2,482	0.57	
1,440,349 Xaar	16,117	3.71	

# M&G Smaller Companies Fund

## PORTFOLIO

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Industrial engineering</b>			
1,455,832 Fenner	7,027	1.62	
1,097,631 Hill & Smith Holdings	5,653	1.30	
<b>Industrial transportation</b>			
92,434 Clarkson	1,870	0.43	
1,064,133 James Fisher & Sons	13,302	3.07	
<b>Support services</b>			
1,030,234 Hyder Consulting	6,470	1.49	
1,478,044 Northgate	7,398	1.70	
2,094,373 Regus	4,522	1.04	
4,114,167 Restore	6,295	1.45	
<b>Beverages</b>			
2,127,660 Stock Spirits Group	5,947	1.37	
<b>Food producers</b>			
1,000,000 Dairy Crest Group	5,405	1.25	
1,870,000 Devro	5,369	1.24	
573,380 New Britain Palm Oil	2,265	0.52	
<b>Healthcare equipment &amp; services</b>			
372,699 Consort Medical	3,550	0.82	
<b>Pharmaceuticals &amp; biotechnology</b>			
952,315 Dechra Pharmaceuticals	6,638	1.53	
<b>Food &amp; drug retailers</b>			
6,615,230 Booker Group	10,750	2.48	
<b>General retailers</b>			
3,272,858 Carphone Warehouse	8,804	2.03	
1,440,000 N Brown Group	7,582	1.75	
<b>Media</b>			
3,996,768 Entertainment One	10,380	2.39	
848,348 Euromoney Institutional Investor	11,385	2.62	
2,945,066 Wilmington Group	7,076	1.63	
<b>Travel &amp; leisure</b>			
2,351,245 bwin.party digital entertainment	2,859	0.66	
1,025,000 Mitchells & Butlers	4,312	0.99	
688,916 Restaurant Group	4,061	0.94	
<b>Fixed line telecommunications</b>			
187,715 Telecom Plus	3,306	0.76	
<b>Banks</b>			
228,431 Bank of Georgia Holdings	5,425	1.25	
<b>Real estate investment &amp; services</b>			
1,650,000 LSL Property Services	7,277	1.68	
6,900,000 Quintain Estates & Development	6,521	1.50	
1,955,656 Safestore	3,149	0.73	
<b>Real estate investment trusts</b>			
7,633,645 Hansteen Holdings	8,244	1.90	
3,750,000 LondonMetric Property	5,190	1.20	
<b>Financial services</b>			
1,950,000 Arrow Global Group	5,094	1.17	
314,736 Close Brothers Group	4,284	0.99	
576,538 International Personal Finance	2,833	0.65	
1,632,286 Jupiter Fund Management	6,243	1.44	
1,685,000 Tullett Prebon	6,319	1.46	
<b>Software &amp; computer services</b>			
10,509,611 Anite	10,378	2.39	
147,812 AVEVA	3,191	0.74	
270,350 Fidessa Group	6,101	1.41	
999,294 Micro Focus International	7,699	1.77	

### PORTFOLIO STATEMENT (continued)

as at 31 December 2013

Holding	Value £'000	31.12.13 %	30.06.13 %
<b>Technology hardware &amp; equipment</b>			
2,725,994 Spirent Communications	2,799	0.64	
2,195,400 Wolfson Microelectronics	3,189	0.73	
<b>AIM quoted</b>			
27,250,000 1Spatial	2,589	0.60	
1,384,497 Accesso Technology Group (formerly LO-Q)	10,591	2.44	
4,546,632 Blinkx	9,196	2.12	
3,732,945 Borders & Southern Petroleum	448	0.10	
3,382,600 Digital Barriers	5,378	1.24	
1,866,014 EMIS Group	11,849	2.73	
4,737,465 Enteq Upstream	2,321	0.53	
441,418 Epistem Holdings	1,413	0.33	
1,784,934 Faroe Petroleum	2,115	0.49	
665,000 Geopark Holdings	3,924	0.90	
1,554,350 Hargreaves Services	13,048	3.01	
20,421,782 IQE	4,850	1.12	
2,805,787 Max Property Group	4,237	0.98	
4,066,572 OPG Power Ventures	2,318	0.53	
304,124 Providence Resources	654	0.15	
9,357,000 San Leon Energy	367	0.08	
325,223 WANDisco	4,065	0.94	
<b>Unquoted / unlisted</b>			
965,000 Betex Group <sup>[a]</sup>	0	0.00	
8,429 Black Lion Resources	0	0.00	
<b>'AAA' rated money market funds <sup>[b]</sup></b>			
2,770,000 Northern Trust Global Fund - Sterling	2,770	0.64	
<b>Portfolio of investments</b>	<b>435,546</b>	<b>100.37</b>	<b>100.75</b>
<b>Net other liabilities</b>	<b>(1,609)</b>	<b>(0.37)</b>	<b>(0.75)</b>
<b>Net assets attributable to shareholders</b>	<b>433,937</b>	<b>100.00</b>	<b>100.00</b>

<sup>[a]</sup> Delisted on 19 October 2007.

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

# M&G Smaller Companies Fund

## PORTFOLIO

### PORTFOLIO TRANSACTIONS

for the six months ended 31 December 2013

	£'000
<b>Largest purchases</b>	<b>£'000</b>
Restore	5,437
Stock Spirits Group	5,000
Dairy Crest Group	4,964
LondonMetric Property	4,386
Arrow Global Group	4,100
Telecom Plus	2,918
Northgate	1,813
EMIS Group	1,535
Cape	1,503
Low & Bonar	1,319
Tullett Prebon	1,125
Digital Barriers	994
Elementis	758
Tyman	744
Galliford Try	703
Faroe Petroleum	690
Wilmington Group	546
Anite	528
Hyder Consulting	478
e2v Technologies	432
Northern Trust Global Fund - Sterling <sup>[a]</sup>	55,502
Other purchases	1,614
<b>Total purchases</b>	<b>97,089</b>
<b>Largest sales</b>	<b>£'000</b>
Howden Joinery Group	9,328
Xaar	6,656
DCC	6,385
SThree	4,353
Booker Group	4,310
Spirax-Sarco Engineering	3,627
Entertainment One	3,309
Ashtead Group	3,226
Brewin Dolphin Holdings	3,162
Micro Focus	2,729
Clarkson	2,543
Blinkx	1,889
Close Brothers Group	1,660
Euromoney Institutional Investor	1,577
James Fisher & Sons	1,347
WANdisco	1,328
Galliford Try	1,311
LSL Property Services	1,010
Hargreaves Services	994
Jupiter Fund Management	993
Northern Trust Global Fund - Sterling <sup>[a]</sup>	62,619
Other sales	11,614
<b>Total sales</b>	<b>135,970</b>

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

## INTERIM FINANCIAL STATEMENTS (unaudited)

For the six months ended 31 December 2013.

### STATEMENT OF TOTAL RETURN

	2013		2012	
	£'000	£'000	£'000	£'000
Income				
Net capital gains		70,331		38,045
Revenue	3,890		3,543	
Expenses	(2,334)		(1,937)	
Finance costs: Interest	(2)		0	
Net revenue before taxation	1,554		1,606	
Taxation	(6)		(10)	
Net revenue after taxation		1,548		1,596
<b>Total return before distributions</b>		<b>71,879</b>		<b>39,641</b>
Finance costs: Distributions		(1,548)		(1,596)
<b>Change in net assets attributable to shareholders from investment activities</b>		<b>70,331</b>		<b>38,045</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>401,979</b>		<b>315,781</b>
Amounts received on issue of shares	8,024		6,213	
Amounts paid on cancellation of shares	(46,426)		(8,372)	
Stamp Duty Reserve Tax		(38,402)		(2,159)
Change in net assets attributable to shareholders from investment activities (see above)		70,331		38,045
Retained distributions on Accumulation shares		66		94
<b>Closing net assets attributable to shareholders</b>		<b>433,937</b>		<b>351,743</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.

### BALANCE SHEET

	as at 31 December 2013		as at 30 June 2013	
	£'000	£'000	£'000	£'000
<b>Assets</b>				
Investment assets		435,546		404,991
Debtors	878		2,016	
Cash and bank balances	0		1	
<b>Total other assets</b>	<b>878</b>		<b>2,017</b>	
<b>Total assets</b>		<b>436,424</b>		<b>407,008</b>
<b>Liabilities</b>				
Creditors				
Net distributions payable on Income shares	(1,406)		(3,147)	
Other creditors	(1,081)		(1,882)	
<b>Total liabilities</b>		<b>(2,487)</b>		<b>(5,029)</b>
<b>Net assets attributable to shareholders</b>		<b>433,937</b>		<b>401,979</b>

# M&G Smaller Companies Fund

## INTERIM FINANCIAL STATEMENTS (unaudited)

### 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 June 2013. 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.

# Further Information

## LIQUIDITY

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

## DILUTION

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

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

## THE EU SAVINGS DIRECTIVE

The percentage of the following M&G sub-funds held in interest-bearing assets (as defined by the UK rules for the EU Savings Directive 2003/48/EC) is as follows:

M&G Corporate Bond Fund	98.85%
M&G Dividend Fund	0.33%
M&G Emerging Markets Bond Fund	99.23%
M&G European Corporate Bond Fund	98.13%
M&G European High Yield Bond Fund	97.94%
M&G Fund of Investment Trust Shares	4.02%
M&G International Sovereign Bond Fund	108.06%
M&G Recovery Fund	0.25%
M&G Smaller Companies Fund	0.64%

## OTHER

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

## PORTFOLIO TURNOVER RATES

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

The unaudited PTRs for the sub-funds currently registered in Switzerland are as follows:

	as at 31.12.13	as at 30.06.13
M&G Corporate Bond Fund	37.17%	40.53%
M&G Emerging Markets Bond Fund	155.47%	136.13%
M&G European Corporate Bond Fund	51.02%	44.44%
M&G European High Yield Bond Fund	44.42%	75.12%
M&G Recovery Fund	1.53%	6.09%

## 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 sub-fund, published for sub-funds currently registered in Switzerland, are as follows:

	Share class	Total Expense Ratio	
		31.12.13	30.06.13
		%	%
M&G Corporate Bond Fund	Sterling Class 'A'	1.16	1.16
M&G Emerging Markets Bond Fund	Euro Class 'A'	1.54	1.53
		1.04	1.00
	Swiss franc Class 'A'	1.55	n/a
		1.05	n/a
US dollar Class 'A'	1.58	1.56	
	1.03	1.00	
M&G European Corporate Bond Fund	Euro Class 'A'	1.16	1.16
		0.66	0.66
	Swiss franc Class 'A-H'	1.19	1.20
		0.69	0.70
M&G European High Yield Bond Fund	Euro Class 'A'	1.44	1.46
		0.94	0.96
M&G Recovery Fund	Sterling Class 'A'	1.65	1.65
		1.65	1.65
	Euro Class 'C'	0.91	0.90

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.

