

M&G Investment Funds (1)

Annual report and audited financial statements for the year ended 31 August 2022

Special version for Switzerland

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Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Investment Funds (1) presents its annual report and audited financial statements for the year ended 31 August 2022.

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

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

Company information

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

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

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

As at 31 August 2022, none of the funds held shares of the other funds within this OEIC.

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

* In Switzerland, eight of the nine sub-funds are currently authorised for public distribution in and from Switzerland by FINMA.

Fund managers

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

M&G Asian Fund

David Perrett

M&G European Sustain Paris Aligned Fund

John William Olsen

M&G Global Sustain Paris Aligned Fund

John William Olsen

M&G Global Themes Fund

Alex Araujo

M&G Japan Fund

Carl Vine

M&G Japan Smaller Companies Fund

Carl Vine

M&G North American Dividend Fund

John Weavers

M&G North American Value Fund

Daniel White

ACD

M&G Securities Limited,
10 Fenchurch Avenue, London EC3M 5AG, UK
Telephone: 0800 390 390 (UK only)
(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of The Investing and Saving Alliance)

Directors of the ACD

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

Authorised Corporate Director's Report

Investment manager

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

Registrar

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

Depository

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

Independent auditor

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

Annual value assessment

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

Important information

The COVID-19 pandemic has been an unprecedented event and continues to bring uncertainties. The ACD continues to monitor the ongoing operational risks that are posed to the Company and its service providers.

The events currently unfolding in Ukraine are shocking and tragic. Although feared, a full-scale military invasion of Ukraine by Russia was arguably not expected and has been widely condemned. Western nations have responded to Russia's attack which started on 24 February 2022, with sweeping sanctions: the US, the UK and the European Union have imposed sanctions on Russian banks, state-owned enterprises (SOEs) and individuals with close links to President Putin. On 28 February 2022, Russia's central bank closed stock trading on the Moscow Stock Exchange. Whilst restrictions and sanctions are still in place, there was a partial reopening of the Exchange on 24 March 2022.

From the perspective of financial markets, Russia's attack has sparked considerable volatility, with Russian assets, in particular, falling sharply and oil prices surging. Given the uncertainty around the continuing conflict, it is likely that financial markets will remain volatile in the coming months as investors react to developments.

In this uncertain fast-moving environment, please be aware that investment commentary may become quickly outdated by ongoing events. We will continue to monitor the geopolitical situation closely.

For affected funds, please refer to the 'Investment review' section for further details on significant events during the period.

On 2 September 2021 the Sterling Class 'PP' share class (Income and Accumulation shares) was launched for M&G European Sustain Paris Aligned Fund and M&G Global Sustain Paris Aligned Fund.

At the shareholder meeting on 20 October 2021, mergers of the M&G European Select Fund and M&G Pan European Select Smaller Companies Fund into the M&G European Sustain Paris Aligned Fund were approved by shareholders. The effective date of the mergers was 10 December 2021. Termination of the M&G European Select Fund and M&G Pan European

Authorised Corporate Director's Report

Select Smaller Companies Fund has been completed with an effective date of 22 July 2022.

From 27 April 2022, the M&G Investments Thermal Coal Investment Policy has been applied. For further information, investors should refer to the Prospectus or the 'M&G Investments Thermal Coal Investment Policy' document which is available on the M&G website at www.mandgplc.com/sustainability/environment/coal

On 24 June 2022 all the Sterling Class 'X' Income and Sterling Class 'X' Accumulation shares were merged into the equivalent Sterling Class 'A' Income and Sterling Class 'A' Accumulation shares.

Investor information

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

Customer services and administration for UK clients:

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

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

Telephone: 0800 390 390 (UK only)

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

Customer services and administration for non-UK clients:

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

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

Telephone: +352 2605 9944

Email: csmang@rbc.com

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

German information agent:

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

Swiss paying agent and representative:

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

Authorised Corporate Director's Report

Authorised Corporate Director's Responsibilities

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

The ACD is required to keep proper accounting records, and to manage the Company in accordance with the Collective Investment Schemes sourcebook, as issued (and amended) by the FCA, the Instrument of Incorporation and the Prospectus, and to take reasonable steps for the prevention and detection of fraud or other irregularities. Additionally, the ACD is responsible for preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Company or its funds will continue in operation.

Note to Swiss investors

The following funds of M&G Investment Funds (1) are currently approved by FINMA for public distribution in and from Switzerland:

M&G Asian Fund

M&G European Sustain Paris Aligned Fund

M&G Global Sustain Paris Aligned Fund

M&G Global Themes Fund

M&G Japan Fund

M&G Japan Smaller Companies Fund

M&G North American Dividend Fund

M&G North American Value Fund

This version of the report and accounts has been specially prepared for the Swiss market to only show the currently registered funds. The above report was based on the original English version of the full report and accounts including all funds. Therefore, the opinion is not based on the extracted contents of this version of the report and accounts.

Directors' statement

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

M&G Securities Limited
2 November 2022

Depository's Responsibilities and Report

Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Investment Funds (1) ('the Company') for the year ended 31 August 2022

The Depository must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI2001/1228) (the OEIC Regulations), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depository must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depository is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depository must ensure that:

- the Company's cashflows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ('the AFM') are carried out (unless they conflict with the Regulations).

The Depository also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

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

- i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company, and
- ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

Edinburgh
2 November 2022

NatWest Trustee and
Depository Services Limited

Independent Auditor's Report

Independent Auditor's Report to the shareholders of M&G Investment Funds (1)

Opinion

We have audited the financial statements of M&G Investment Funds (1) ("the Company") comprising each of its sub-funds for the year ended 31 August 2022, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Tables, and the accounting policies of the Company, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its sub-funds as at 31 August 2022, and of the net revenue and the net capital gains/losses on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Authorised Corporate Director's ("the ACD") use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the ACD with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

Independent Auditor's Report

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (the "FCA")

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the FCA and the Instrument of Incorporation; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the rules of the Collective Investment Schemes Sourcebook of the FCA require us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the ACD

As explained more fully in the ACDs' responsibilities statement set out on page 4, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent Auditor's Report

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP), the Investment Association's Statement of Recommended Practice (IMA SORP), the FCA Collective Investment Schemes Sourcebook, the OEIC Regulations, the Company's Instrument of Incorporation and the Prospectus.
- We understood how the Company is complying with those frameworks through discussions with the ACD and the Company's administrator and a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. We tested the appropriateness of management's classification of material special dividends as either a capital or revenue return.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Company.
- Due to the regulated nature of the Company, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists

where appropriate, to identify non-compliance with the applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Edinburgh
2 November 2022

Ernst & Young LLP
Statutory Auditor

The Annual report contained in this document has been extracted from the Accounts of the Company and on which Ernst & Young LLP expressed the opinion reproduced above.

Ernst & Young LLP express no opinion as to whether the contents have been properly extracted from the accounts on which they expressed their opinion.

Financial statements and notes

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

Notes to the financial statements

1 Statement of compliance

The financial statements of M&G Investment Funds (1) have been prepared in compliance with UK Financial Reporting Standard 102 (FRS 102) and in accordance with the Statement of Recommended Practice (SORP) for Authorised Funds issued by the Investment Association in May 2014 and amended in June 2017, except in relation to the separate disclosure in note 13.

2 Summary of significant accounting policies

a. Basis of preparation

There are no material events that have been identified that may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue. The ACD believes that the Company has adequate resources to continue in operational existence for the foreseeable future and, following consideration of the impact of COVID-19 they continue to adopt the going concern basis in preparing the financial statements. The ACD has made an assessment of each fund's ability to continue as a going concern which is made as at the date of issue of these financial statements and considers liquidity, declines in global capital markets, investor intention, known redemption levels, expense projections, key service provider's operational resilience, and the impact of COVID-19.

The financial statements of M&G Investment Funds (1) are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss.

b. Functional and presentational currency

Where the functional and presentational currency of a fund is not UK sterling this is disclosed in the 'Financial statements and notes' of that fund.

c. Exchange rates

Transactions in currencies other than each fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 31 August 2022 being the last business day of the accounting period.

d. Investments – recognition and valuation

The provisions of both Section 11 and Section 12 of FRS 102 have been applied in full. All investments have been designated as fair value through profit and loss and recognised initially at fair value, which is normally the transaction price (excluding transaction costs).

At the end of the reporting period all investments have been measured at their fair value using the prices and the portfolio holdings determined at 12 noon on 31 August 2022, being the last valuation point of the accounting period, as this is not materially different from a valuation carried out at close of business on the balance sheet date.

Where separate bid and offer prices are available, the bid price is used for investment assets and the offer price for investment liabilities. Otherwise, the single price or most recent transaction price is used. Interest accrued is not included in the fair value. The methods of determining fair value for the principal classes of investment are:

- Equities and debt securities which are traded on an active market are included at the quoted price, which is normally the bid price, excluding any accrued interest in respect of bonds.

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- Equities traded on the Alternative Investment Market (AIM), whose liquidity cannot be guaranteed, are included at their quoted bid price as this represents the most objective and appropriate method of valuation.
 - Collective investment schemes operated by the ACD are included at either their cancellation price for dual priced funds or their single price for single priced funds.
 - Collective investment schemes operated by another manager are included at either their bid price for dual priced funds or their single price for single priced funds.
 - Other equities and debt securities which are unquoted or not actively traded on a quoted market are included at a value estimated by the ACD using an appropriate valuation technique, excluding any accrued interest in respect of bonds.
 - Exchange traded futures and options are included at the cost of closing out the contract at the balance sheet date.
 - Over the counter equity options, credit default swaps, interest rate swaps, asset swaps and inflation swaps are included at a value provided by Markit Valuations Limited, an independent credit derivative price provider. Their fair value excludes any accrued interest in respect of derivatives where the income is revenue in nature.
 - Forward currency contracts, for share class hedging and investment, are included at a value determined by reference to current forward exchange rates for contracts with similar maturity profiles.
- e. Recognition of income and expenses**
- Dividends, including ordinary stock dividends, from equity investments are recognised when the security is quoted ex-dividend.
 - Distributions from collective investment schemes are recognised when the scheme is priced ex-distribution.
 - Bank interest is recognised on an accruals basis.
 - Underwriting commission is recognised when the issue takes place.
 - Revenue from derivatives is recognised on an accruals basis.
 - Fee rebates from investing in other collective investment schemes are recognised on an accruals basis.
 - Expenses are recognised on an accruals basis.
- f. Treatment of income and expenses**
- Any increases or decreases in the fair value of investments and gains and losses realised on sales of investments are treated as capital and recognised in net capital gains/(losses).
 - The value of any enhancement to a stock dividend is treated as capital.
 - Ordinary equity dividends, including ordinary stock dividends are treated as revenue.
 - Special dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.
 - Distributions from collective investment schemes are treated as revenue in nature, except for any element of equalisation, which represents the average amount of income included in the price paid for the collective investment scheme, which is treated as capital.
 - Other interest income, such as bank interest is treated as revenue.

Financial statements and notes

- Underwriting commission is treated as revenue, except where the fund is required to take up all or some of the shares underwritten, in which case a proportion of the commission received is deducted from the cost of the shares and treated as capital.
 - The treatment of the income on derivative contracts depends upon the nature of the transaction. Both motive and circumstances are used to determine whether the returns should be treated as capital or revenue. Where positions are undertaken to protect or enhance capital, and the circumstances support this, the returns are recognised in net capital gains; similarly where the motives and circumstances are to generate or protect revenue, and the circumstances support this, the returns are included within net revenue before taxation. Where positions generate total returns it will generally be appropriate to apportion such returns between capital and revenue to properly reflect the nature of the transaction.
 - Expenses relating to the purchase and sale of investments are treated as capital; all other expenses are treated as revenue.
 - Rebates of charges from holdings in collective investment schemes are treated as revenue or capital in accordance with the underlying scheme's distribution policy.
- g. Operating charges**
- Operating charges include payments made to M&G and to providers independent of M&G:
- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund.
For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).
- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.
 - **Ongoing charges from underlying funds:** Ongoing charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Operating charges are in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.
- h. Portfolio transaction costs**
- Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange and method of execution. They are made up of direct and indirect portfolio transaction costs:
- **Direct portfolio transaction costs:** Broker execution commission and taxes.
 - **Indirect portfolio transaction costs:** 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid.

Investments are bought or sold by a fund when changes are made to the investment portfolio and

Financial statements and notes

in response to net flows of money into or out of the fund from investors buying and selling shares in the fund.

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive.

i. Tax

Dividends and similar income receivable are recognised at an amount that includes any withholding tax but excludes irrecoverable tax credits. Any withholding tax suffered is shown as part of the tax charge.

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

Deferred tax is recognised in respect of temporary timing differences that have originated but not reversed by the balance sheet date. Deferred tax is measured on a non-discounted basis, at the average rate of tax expected to apply in the period in which it expects the deferred tax to be realised or settled. A deferred tax asset is only recognised to the extent that it is more likely than not that the asset will be recovered.

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

j. Allocation of returns to share classes

The annual charge is directly attributable to individual share classes. All other returns are apportioned to the fund's share classes pro-rata to the value of the net assets of the relevant share class on the day that the income or expenses are recognised.

All available net revenue accounted for in accordance with the above policies and adjusted where relevant by any specific distribution policies set out in the notes to that fund's financial

statements, is distributed to holders of Income shares or retained and reinvested for holders of Accumulation shares. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

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

3 Risk management policies

The ACD is responsible for establishing, implementing and maintaining an adequate and documented risk management policy for identifying, measuring and managing all risks to which funds are or might be exposed.

The Company's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests; market risk, credit risk and liquidity risk.

These financial statements are designed to enable users to evaluate the nature and extent of those risks and how they are managed.

The following risk management policies are applicable to the funds, with specific risk disclosures set out in the notes to the financial statements of each fund.

a. Market risk

Market risk is the risk of loss resulting from fluctuations in the market value of positions in a fund's portfolio attributable to changes in market variables, such as interest rates, exchange rates, equity and commodity prices or an issuer's creditworthiness.

In relation to market risk, processes are applied that take account of the investment objective and policy of each fund. All funds are subject to an investment oversight process in accordance with the type and nature of the fund. In addition all funds are monitored for compliance within regulatory limits.

Financial statements and notes

In measuring and monitoring market risk, the global exposure of a fund may be calculated using a 'commitment' approach or 'Value at Risk' (VaR) approach.

b. Commitment approach

The commitment approach is applied for funds investing only in traditional asset classes, namely equities, fixed income, money market instruments and collective investment schemes.

In addition, the approach is applied for funds which use or intend to use derivatives or instruments embedding derivatives, but only for efficient portfolio management purposes, or in a simple way not necessarily restricted to efficient portfolio management.

Under the commitment approach the global exposure of funds is measured and monitored using a commitment (adjusted notional) methodology.

Market risk is considered on a daily basis and forms the foundation of investment oversight analysis. This can include for each fund (but is not limited to) the analysis of factors such as fund concentration; style, geographical, industry and market capitalisation biases; active, systematic and specific risk measurements; active money; and beta characteristics.

c. Liquidity risk

Liquidity risk is the risk that a fund's holdings cannot be sold, liquidated or closed out at limited cost in an adequately short time frame and that the ability of the scheme to comply at any time with its obligation to sell and redeem shares is thereby compromised.

The overall liquidity profile for each fund is reviewed and updated regularly. The liquidity profile takes into account investment, cashflow and market liquidity considerations.

Investment liquidity considerations include an assessment of asset class liquidity conditions,

liquidity of underlying holdings, portfolio construction and concentration, the scale of individual stock ownership and the nature of the investment strategy.

Cashflow liquidity is managed in each fund on a daily basis using reports that include subscription and redemption information as well as the impact of trading, derivative lifecycle events and corporate action activity. In addition to the daily reporting, the fund managers are provided with reporting that highlights the impact of reasonably predictable events in the portfolio, including an allowance for the potential future exposures that might result from derivative exposures.

Market (or distribution-related) considerations include an assessment of asset demand, fund growth, client concentration and the persistency of the client base. Supplementary to this, market liquidity stress tests are carried out on a monthly basis for all funds.

Liquidity in funds is independently assessed and challenged through the internal governance process at M&G. Fund liquidity is modelled and compared against potential liability scenarios such as severe redemption or collateral calls and any funds with liquidity issues are flagged to the internal committee. Funds flagged to the internal committee are escalated and remedial action agreed. None of the funds have been escalated for remedial action.

d. Credit risk

For funds exposed to credit risk, the credit rating, yield and maturity of each interest bearing security is considered to determine if the yield fully reflects the risk. The capital value of interest-bearing securities within the funds will fall in the event of the default or perceived increased credit risk of an issuer.

The capital value of interest-bearing securities within a fund may also be affected by interest rate fluctuations such that when interest rates rise, the

Financial statements and notes

capital value of the interest-bearing securities is likely to fall and vice versa.

Funds investing in derivatives are exposed to counterparty risk. This is the risk that the other party to the transaction fails to fulfil their obligations, either by failing to pay or failing to deliver securities. To minimise this risk, carefully selected, financially strong and well-established counterparties are selected following a thorough due diligence review and collateral is posted daily (in the form of cash or high-quality government bonds). Derivative positions are valued on a mark-to-market basis (revalued to reflect prevailing market prices) daily and collateral moves from one counterparty to the other to reflect movements in the unrealised profit or loss. As a result, the maximum loss to the fund would be limited to that day's price movements in affected derivatives contracts.

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

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For the purposes of these financial statements, the prospectus dated 29 July 2022 has been used.

Investment objective

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

Investment policy

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

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

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

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

Benchmark

Benchmark: MSCI AC Asia Pacific ex Japan Index.

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

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

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

Risk profile

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



The above number:

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

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Investment review

For the year ended 31 August 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 31 August 2022, the M&G Asian Fund delivered a positive total return (the combination of income and growth of capital) across all its sterling share classes*. Fund performance was comfortably ahead of the fund's benchmark, the MSCI AC Asia Pacific ex Japan Index, which was -4.8% over the same period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes, but marginally lagged its benchmark, which returned 4.4% pa over this period. Therefore, the fund did not meet the objective over its specified timeframe of five years, despite the significant improvement in performance during the last two years.

Please note, the current fund manager, David Perrett took over the management of the fund on 2 December 2019, less than three years ago.

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

*The Class 'X' shares closed on 24 June 2022.

Performance review

It was a challenging 12-month period for stockmarkets around the world as they faced a combination of headwinds – growing inflationary pressures and higher interest rates, ongoing COVID-19 concerns, supply-chain bottlenecks, Russia's invasion of Ukraine towards the end of February 2022 and elevated tension between the US and China.

Against this backdrop, the MSCI AC Asia Pacific ex Japan Index recorded a negative return in sterling terms and lagged the MSCI ACWI Index. The principal cause of the underperformance was the steep fall in China's stockmarket (which represents around one third of the regional index by market capitalisation) and to a lesser extent, the poor performance of the South Korean

stockmarket. The South Korean market was dragged down by technology heavyweights, as investors worried about the impact on demand from softening consumer spending.

Throughout the first half of the review period and the early part of the second half, investor sentiment towards Chinese shares was hurt by a range of factors such as its strict "zero-COVID-19" policy, which has hurt economic growth, the tighter regulation of internet names and a crackdown on the leverage of real estate developers.

However, from the end of April 2022, China's stockmarket staged a fierce rally, as some COVID-19 restrictions were eased, and the government announced measures to promote economic growth and support the property sector. Another key driver of the rally in our view, was the extremely depressed starting point for sentiment and valuation.

Better performing stockmarkets in the Asia-Pacific region included Indonesia and Australia (both resource-rich countries) and Thailand, Malaysia and the Philippines, whose economies benefited from the return of tourists. India also did well, given its domestically focused economy.

In terms of sectors, energy and materials outperformed, boosted by higher oil and commodity prices, respectively. Unsurprisingly, given the fall in some of the region's stockmarkets, defensive sectors, including consumer staples, telecommunication services and utilities also outperformed, although the healthcare sector was a notable negative outlier. Fast-growing companies, such as those in the healthcare sector, were adversely affected by the prospect of rising interest rates. Some high growth companies from the technology sector were also affected. Conversely, higher interest rates proved beneficial for financial companies.

Other sectors that lagged the market included consumer discretionary and media (sectors which include several large internet-related names which have been adversely affected by developments in China).

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Despite the fall in its benchmark, the MSCI AC Asia Pacific ex Japan Index, the fund recorded a positive return.

Outperformance was driven mainly by stockpicking, but sector allocation was also a positive. Above-benchmark positions in in-favour sectors including energy and financials and below-benchmark positions in poorly performing sectors including healthcare and consumer discretionary were beneficial.

Stockpicking added value across a broad range of sectors. In the energy sector, holdings in Cenovus Energy and Woodside Petroleum were key contributors to performance relative to the fund's benchmark. Canada-based integrated energy company Cenovus Energy reported strong operating performance during the review period. The company is generating strong cashflow, enabling it to reduce net debt. Cenovus also announced a share buyback programme and a doubling of its dividend.

Woodside Petroleum is an Australia-based natural gas producer, and we are attracted by its undemanding valuation and the secular growth story for gas within Asia as the region migrates from more polluting and emission-heavy forms of energy. The company's recent merger with BHP's energy assets provided manifold positive synergies and further boosted sentiment.

Bank shares prospered during the review period, and many were key contributors to outperformance. Names included Indonesia's Bank Mandiri, Singapore's DBS and Thailand's Kasikornbank and Bangkok Bank. The Thai names benefited from the country's transition from a "zero-COVID" strategy to "living with COVID-19" as it reopened to tourists. This should aid the economy, given tourism represents more than 10% of GDP.

In materials, Amcor, the world's largest consumer packaging company added value. In recent years the company's earnings have compounded at a medium to high-single-digit growth rate, through a combination of improved pricing, cost cutting, and share buybacks. The market has been reluctant to give the company credit for its earnings delivery, worried about a lack of volume growth and potential cost pressures. Our view is

different, as we recognise that low volume growth has been a conscious decision, whilst the company focuses on profitability. Moreover, the structural tailwind the business will get from the drive to more environmentally friendly packaging should be beneficial.

Transport-related stocks also featured amongst the fund's top contributors. Pacific Basin Shipping is an international dry bulk shipping company and has benefited from robust freight rates, which have been driven higher by a combination of a broad-based recovery in the demand for dry bulk commodities along with fleet inefficiencies (COVID-19 restrictions disrupting the flow of traffic).

Holdings that hurt performance included biopharmaceutical company HutchMed (China), which was caught up in the pervading weak sentiment towards the healthcare sector. The company has been listed for many years and has built a strong drug pipeline that is starting to generate revenues. HutchMed US and UK listings have left it as something of an 'orphan' stock and it trades at a material discount to its Chinese peers.

China's intention to tighten the regulation of internet companies dented the performance of Zhihu, a question-and-answer website, and in a weak technology sector, holdings in DRAM (Dynamic Random-Access Memory semiconductor) manufacturer Samsung Electronics and VTech also detracted value.

Sentiment towards memory chips deteriorated as investors became increasingly worried about consumer-end demand and what that might mean for DRAM pricing. Near-term supply-demand swings for DRAM semiconductors are hard to navigate. Our perspective is that DRAM demand is structurally growing as memory content grows in a wide range of products. At the same time, supply is more disciplined thanks to a much more concentrated market and growing difficulty in shrinking semiconductors further. Consequently, recent downturns have been shallower and shorter than in the past, with returns across the

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cycle much higher. As a result, we regard Samsung as attractive at its current valuation.

The share price of Hong Kong-listed electronic learning toys company VTech slipped following the announcement of a profit warning. The company's profit margins are coming under pressure from a combination of increased costs, including electronic component prices (due to worldwide shortages) and increased shipping costs. At the same time sales are under pressure, due to the lack of components and delays in shipments of the company's products to customers.

Investment activities

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

Our strategy utilises independent, proprietary research to identify and extensively research opportunities across a universe of more than 400 Asia ex-Japan stocks, which has been carefully refined over many years. We deliberately concentrate our efforts around a pre-defined universe of companies.

We tend to make longer-term investments, although returns may be enhanced by opportunistic positioning where merited by the risk/reward opportunity. The desire is for portfolio returns to be driven by our stockpicking ability, rather than the portfolio's exposure to be dominated by one or two specific investment styles. We also pay close attention to the portfolio's below-benchmark positions. The performance gap between the portfolio and the benchmark index over time is affected not just by what we invest in, but also what we do not.

Throughout the review period we took advantage of share price volatility to invest in companies at what we believed were very attractive share price levels.

In the first half of the review period, we established positions in Kerry Properties and Hainan Meilan airport.

Kerry has a portfolio of high-quality investment properties in Hong Kong and mainland China as well as some logistics exposure. Kerry is trading on a substantial discount to net asset value, which it is taking measures to reduce. These include selling non-core assets, paying a special dividend and instigating a share buyback programme.

Hainan is the main holiday destination in China. Whilst shares in Hainan Meilan airport have been weak due to the impact of COVID-19 lockdowns on holiday travel, we believe that longer term the airport will benefit from a structural increase in rising domestic travel and a shift to promote domestic duty-free sales.

We also established positions in Miniso and Dongyue. China-based Miniso is a discount retailer which is growing rapidly in its domestic market as well as overseas. Dongyue is a specialist, Chinese environmental play, which provides a key component for solar and electric vehicle manufacturers. Given very strong structural demand, we expect Dongyue to enjoy robust profit growth going forward.

In Australia, we bought Brambles which is a logistics player with a dominant position in the retail industry. When the company's shares sold off due to heavier-than-expected medium-term investment in its operations, we took the opportunity to buy at an attractive entry level. We believe the company's digital strategy has the potential to materially improve capital and operating efficiency over the longer term.

Later, we established a position in Hong Kong-listed Techtronic, a manufacturer of cordless power tools and household appliances. Its innovative technology, particularly in battery technology, offers the company a strong competitive position and robust structural growth in our view. We invested after a sharp share price correction tied to US consumer worries.

Other names that joined the portfolio included Australia-based mining services company Mineral Resources, whose lithium assets we view as particularly attractive, and Axis Bank, one of India's largest private

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lenders. India remains an under-penetrated financial market and Axis is one of India's more competitive banks.

Conversely, we felt the time was right to close positions in several other names, many of which had enjoyed strong performance.

We closed the fund's position in China Resources Power in early 2022; the holding more than tripled in value in 2021. The original rationale for our investment was that the market was overlooking the company's commitment and success in transitioning away from being a coal power operator, towards being much more focused on renewable energy. Through 2021, the market became increasingly aware of this positive development and as a result China Resources Power's valuation became less attractive.

We exited positions in Greatview and GT Capital, primarily because we saw better opportunities to deploy the capital elsewhere in the region. We also sold Daqo, a polysilicon producer. While we see strong structural demand for solar panels, we believe new planned polysilicon capacity will drive down future industry profits materially.

More recently we have exited telecommunication services holdings, China Unicom, China Mobile and China Telecom, after material outperformance and closed a position in Taiwan Cement. Taiwan Cement had significantly outperformed its Chinese peers and we felt an insufficient margin of safety remained, given the risk of structural oversupply. We also closed positions in Singapore-based food producer Japfa and China's Baoshan Iron & Steel.

Outlook

There are currently several factors investors must wrestle with – higher energy and food prices globally, supply disruptions, the war in Ukraine, China's zero-COVID-19 policy, Sino-US geopolitical tensions, tight labour markets in the West and global recession fears, to name but a few. In such a confused world, it is not surprising to see heightened volatility, as market participants jump from discounting one scenario to the next.

Against this uncertain backdrop, we continue to focus on our universe and bottom-up, differentiated research. Indeed, rather than aspire to answer big macro questions, our objective is to use excess stock price volatility to our investors' advantage.

Such a strategy has always been the way we work and commands a bottom-up portfolio that is not overly exposed to any single investment theme or style. Rather, the portfolio's active risk should be driven by bottom-up, esoteric ideas. The current volatile environment has the potential to offer a rich opportunity set for disciplined stockpickers like ourselves.

David Perrett

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities	200,525	102.10	101.75
United States	0	0.00	0.51
Canada	1,841	0.94	1.05
61,814 Cenovus Energy	1,166	0.59	
49,178 Cenovus Energy Warrants 01/01/2026	675	0.35	
Australia	29,891	15.22	10.30
315,841 Amcor	3,856	1.96	
245,341 Australia & New Zealand Banking	3,835	1.95	
155,520 BHP	4,324	2.20	
221,558 BlueScope Steel	2,538	1.29	
231,232 Brambles	1,959	1.00	
7,752 CSL	1,559	0.79	
147,354 Lendlease	1,034	0.53	
1,569,223 Mesoblast	914	0.47	
19,102 Mineral Resources	837	0.43	
182,606 National Australia Bank	3,809	1.94	
707,077 Stockland REIT	1,749	0.89	
148,216 Woodside Energy	3,477	1.77	
China	48,208	24.54	23.24
414,576 Alibaba	4,967	2.53	
60,240 Autohome ADR	2,052	1.04	
7,788 Baidu ADR	1,072	0.55	
6,002,000 CGN Power	1,430	0.73	
6,090,000 China Construction Bank	3,774	1.92	
2,290,000 Dongyue	2,589	1.32	
1,978,200 GF Securities	2,584	1.31	
60,053 H World ADR	2,194	1.12	
846,000 Hainan Meilan International Airport	2,000	1.02	
1,206,400 Huatai Securities	1,611	0.82	
154,303 JD.com	4,825	2.46	
127,973 KE ADR	2,345	1.19	
66,800 Meituan	1,612	0.82	
262,000 MINISO	413	0.21	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
China (continued)			
233,478 MINISO ADR	1,537	0.78	
223,000 Ping An Insurance Group Company of China	1,313	0.67	
4,208,000 Sinopec Engineering	1,885	0.96	
1,093,000 TravelSky Technology	1,902	0.97	
1,487,000 Weichai Power	1,992	1.01	
3,124,800 Yangzijiang Shipbuilding	2,168	1.10	
25,711 Yum China	1,249	0.64	
60,573 Zai Lab ADR	2,694	1.37	
Hong Kong	21,869	11.13	13.57
501,600 AIA	4,850	2.47	
345,350 CK Hutchison	2,230	1.14	
257,500 HutchMed ^a	639	0.32	
101,184 HutchMed ADR	1,252	0.64	
698,000 Kerry Properties	1,606	0.82	
237,500 Sun Hung Kai Properties	2,792	1.42	
163,000 Techtronic Industries	1,933	0.98	
158,000 Tencent	6,567	3.34	
India	20,150	10.26	7.53
142,250 Axis Bank	1,344	0.69	
124,741 Cartrade Tech	1,009	0.51	
201,898 Housing Development Finance	6,211	3.16	
340,242 ICICI Bank	3,805	1.94	
108,405 Reliance Industries	3,598	1.83	
82,017 Supreme Industries	2,023	1.03	
159,464 Tech Mahindra	2,160	1.10	
Indonesia	4,077	2.08	1.24
6,838,300 Bank Mandiri	4,077	2.08	
Philippines	0	0.00	0.98
Singapore	11,802	6.01	6.09
192,686 DBS	4,490	2.29	
10,728,468 Ezion Warrants 16/04/2023 ^b	0	0.00	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Singapore (continued)			
2,692,600 Genting Singapore	1,493	0.76	
4,501,400 NetLink NBN Trust	3,011	1.53	
504,000 SATS	1,453	0.74	
400,000 Vertex Technology Acquisition	1,342	0.68	
120,000 Vertex Technology Acquisition Warrants 31/12/2029	13	0.01	
South Korea	25,154	12.81	13.99
72,618 Hana Financial	2,126	1.08	
69,299 KB Financial	2,562	1.30	
8,154 NAVER	1,460	0.74	
216,285 Samsung Electronics	9,637	4.91	
11,658 Samsung Fire & Marine Insurance	1,695	0.86	
35,087 Shinhan Financial	958	0.49	
53,483 SK Hynix	3,803	1.94	
43,360 SK Square	1,311	0.67	
41,128 SK Telecom	1,602	0.82	
Taiwan	20,667	10.52	11.05
275,220 Delta Electronics	2,373	1.21	
361,000 Hon Hai Precision Industry	1,293	0.66	
86,000 MediaTek	1,885	0.96	
843,178 Taiwan Semiconductor Manufacturing	13,962	7.11	
1,730,400 Yuanta Financial	1,154	0.58	
Thailand	3,626	1.85	2.28
501,900 Bangkok Bank	1,879	0.96	
415,100 Kasikornbank	1,747	0.89	
Bermuda	12,375	6.30	9.92
208,000 CK Infrastructure	1,266	0.65	
6,518,255 COSCO SHIPPING Ports	4,209	2.14	
11,950,000 Pacific Basin Shipping	4,260	2.17	
8,698,000 Sinopec Kantons	2,640	1.34	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Israel	865	0.44	0.00
121,826 Arbe Robotics	865	0.44	
Total portfolio	200,525	102.10	101.75
Net other assets/(liabilities)	(4,117)	(2.10)	(1.75)
Net assets attributable to shareholders	196,408	100.00	100.00

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

^a AIM quoted.

^b Suspended.

Portfolio statement

Top ten portfolio transactions for the year to 31 August 2022

Largest purchases	\$'000
Zai Lab ADR	3,032
BlueScope Steel	2,958
Dongyue	2,950
Hainan Meilan International Airport	2,594
Pacific Basin Shipping	2,342
Techtronic Industries	2,287
Brambles	2,069
MINISO ADR	2,029
Supreme Industries	1,965
Kerry Properties	1,832
Other purchases	40,102
Total purchases	64,160

Largest sales	\$'000
Pacific Basin Shipping	5,352
China Resources Power	3,519
Cenovus Energy	3,396
GT Capital	2,414
Japfa	2,405
Vtech	2,250
Sun Hung Kai Properties	1,946
Far East Horizon	1,934
China Construction Bank	1,764
Greatview Aseptic Packaging	1,719
Other sales	41,828
Total sales	68,527

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

Financial highlights

Fund performance

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

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at www.mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

On 24 June 2022, the Sterling Class 'X' Income and Sterling Class 'X' Accumulation shares were merged into the equivalent Sterling Class 'A' Income and Sterling Class 'A' Accumulation shares.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	+1.3	+6.9	+3.7	+7.7
Class 'A' Accumulation	+1.3	+6.9	+3.7	+7.7
Class 'I' Income	+1.7	+7.3	+4.3	+8.5
Class 'I' Accumulation	+1.7	+7.3	+4.3	+8.5
Class 'R' Income	+1.5	+7.1	+4.0	+8.2
Class 'R' Accumulation	+1.5	+7.1	+4.0	+8.2
Class 'X' Income	-4.2	+5.2	+2.6	+7.3
Class 'X' Accumulation	-4.2	+5.2	+2.6	+7.3
Benchmark	-4.8	+5.9	+4.4	+8.6

^a Not annualised.

Specific share class performance

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

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 14 September 1973.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	1,558.37	1,272.93	1,364.88
Return before operating charges	39.52	346.24	(36.69)
Operating charges	(20.73)	(21.15)	(18.97)
Return after operating charges	18.79	325.09	(55.66)
Distributions	(64.54)	(39.65)	(36.29)
Closing NAV	1,512.62	1,558.37	1,272.93
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.49	1.96	3.00
Dilution adjustments	(0.13)	(0.34)	(0.20)
Total direct transaction costs	1.36	1.62	2.80
Performance and charges	%	%	%
Direct portfolio transaction costs	0.09	0.11	0.21
Operating charges	1.35	1.39	1.45
Return after charges	+1.21	+25.54	-4.08
Other information			
Closing NAV (\$'000)	116,985	138,377	115,793
Number of shares	6,658,008	6,448,963	6,837,704
Highest share price (UK p)	1,592.73	1,616.52	1,469.16
Lowest share price (UK p)	1,377.45	1,257.08	1,046.84

Sterling Class 'A' Accumulation share performance

The share class was launched on 14 September 1973.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	2,800.44	2,230.99	2,325.87
Return before operating charges	70.57	606.50	(62.57)
Operating charges	(37.22)	(37.05)	(32.31)
Return after operating charges	33.35	569.45	(94.88)
Distributions	(74.32)	(32.81)	(30.94)
Retained distributions	74.32	32.81	30.94
Closing NAV	2,833.79	2,800.44	2,230.99
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.68	3.43	5.11
Dilution adjustments	(0.23)	(0.60)	(0.34)
Total direct transaction costs	2.45	2.83	4.77
Performance and charges	%	%	%
Direct portfolio transaction costs	0.09	0.11	0.21
Operating charges	1.35	1.39	1.45
Return after charges	+1.19	+25.52	-4.08
Other information			
Closing NAV (\$'000)	17,433	19,060	16,313
Number of shares	529,601	494,299	549,629
Highest share price (UK p)	2,861.79	2,832.85	2,503.54
Lowest share price (UK p)	2,474.97	2,202.95	1,783.87

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,816.37	1,476.96	1,575.67
Return before operating charges	46.33	402.36	(42.35)
Operating charges	(17.05)	(16.82)	(14.35)
Return after operating charges	29.28	385.54	(56.70)
Distributions	(75.41)	(46.13)	(42.01)
Closing NAV	1,770.24	1,816.37	1,476.96
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.74	2.29	3.47
Dilution adjustments	(0.15)	(0.40)	(0.23)
Total direct transaction costs	1.59	1.89	3.24
Performance and charges	%	%	%
Direct portfolio transaction costs	0.09	0.11	0.21
Operating charges	0.95	0.95	0.95
Return after charges	+1.61	+26.10	-3.60
Other information			
Closing NAV (\$'000)	19,006	23,443	12,379
Number of shares	924,254	937,354	630,023
Highest share price (UK p)	1,858.45	1,880.04	1,699.38
Lowest share price (UK p)	1,608.95	1,458.70	1,211.93

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,196.01	1,741.45	1,806.50
Return before operating charges	55.54	474.39	(48.62)
Operating charges	(20.58)	(19.83)	(16.43)
Return after operating charges	34.96	454.56	(65.05)
Distributions	(68.12)	(34.81)	(32.38)
Retained distributions	68.12	34.81	32.38
Closing NAV	2,230.97	2,196.01	1,741.45
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.11	2.69	3.97
Dilution adjustments	(0.18)	(0.47)	(0.26)
Total direct transaction costs	1.93	2.22	3.71
Performance and charges	%	%	%
Direct portfolio transaction costs	0.09	0.11	0.21
Operating charges	0.95	0.95	0.95
Return after charges	+1.59	+26.10	-3.60
Other information			
Closing NAV (\$'000)	32,575	37,531	28,515
Number of shares	1,257,013	1,241,243	1,230,845
Highest share price (UK p)	2,246.35	2,216.46	1,948.29
Lowest share price (UK p)	1,944.76	1,719.73	1,389.45

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	179.15	146.04	156.20
Return before operating charges	4.56	39.76	(4.20)
Operating charges	(2.12)	(2.10)	(1.80)
Return after operating charges	2.44	37.66	(6.00)
Distributions	(7.43)	(4.55)	(4.16)
Closing NAV	174.16	179.15	146.04
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.23	0.34
Dilution adjustments	(0.01)	(0.04)	(0.02)
Total direct transaction costs	0.16	0.19	0.32
Performance and charges	%	%	%
Direct portfolio transaction costs	0.09	0.11	0.21
Operating charges	1.20	1.20	1.20
Return after charges	+1.36	+25.79	-3.84
Other information			
Closing NAV (\$'000)	1,021	1,304	880
Number of shares	504,666	528,666	452,687
Highest share price (UK p)	183.18	185.68	168.30
Lowest share price (UK p)	158.48	144.23	119.97

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	214.74	170.73	177.55
Return before operating charges	5.42	46.46	(4.78)
Operating charges	(2.54)	(2.45)	(2.04)
Return after operating charges	2.88	44.01	(6.82)
Distributions	(6.06)	(2.90)	(2.77)
Retained distributions	6.06	2.90	2.77
Closing NAV	217.62	214.74	170.73
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.21	0.26	0.39
Dilution adjustments	(0.02)	(0.05)	(0.03)
Total direct transaction costs	0.19	0.21	0.36
Performance and charges	%	%	%
Direct portfolio transaction costs	0.09	0.11	0.21
Operating charges	1.20	1.20	1.20
Return after charges	+1.34	+25.78	-3.84
Other information			
Closing NAV (\$'000)	9,388	11,216	8,761
Number of shares	3,713,967	3,793,375	3,857,130
Highest share price (UK p)	219.53	217.05	191.30
Lowest share price (UK p)	189.93	168.60	136.37

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	1,556.27	1,271.21	1,363.03
Return before operating charges	(51.32)	345.77	(36.64)
Operating charges	(17.18)	(21.11)	(18.94)
Return after operating charges	(68.50)	324.66	(55.58)
Distributions	n/a	(39.60)	(36.24)
NAV of in specie transfer	(1,487.77)	n/a	n/a
Closing NAV	0.00	1,556.27	1,271.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.24	1.95	3.00
Dilution adjustments	(0.11)	(0.34)	(0.20)
Total direct transaction costs	1.13	1.61	2.80
Performance and charges	%	%	%
Direct portfolio transaction costs	0.09	0.11	0.21
Operating charges	1.35	1.39	1.45
Return after charges	-4.40	+25.54	-4.08
Other information			
Closing NAV (\$'000)	0	7,091	6,326
Number of shares	0	330,911	374,059
Highest share price (UK p)	1,590.58	1,614.34	1,467.18
Lowest share price (UK p)	1,375.59	1,255.38	1,045.42

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	2,774.22	2,210.11	2,304.11
Return before operating charges	(91.83)	600.83	(61.91)
Operating charges	(30.64)	(36.72)	(32.09)
Return after operating charges	(122.47)	564.11	(94.00)
Distributions	n/a	(32.50)	(30.65)
Retained distributions	n/a	32.50	30.65
NAV of in specie transfer	(2,651.75)	n/a	n/a
Closing NAV	0.00	2,774.22	2,210.11
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.21	3.40	5.08
Dilution adjustments	(0.19)	(0.59)	(0.33)
Total direct transaction costs	2.02	2.81	4.75
Performance and charges	%	%	%
Direct portfolio transaction costs	0.09	0.11	0.21
Operating charges	1.35	1.39	1.45
Return after charges	-4.41	+25.52	-4.08
Other information			
Closing NAV (\$'000)	0	3,043	2,471
Number of shares	0	79,683	84,050
Highest share price (UK p)	2,835.00	2,806.34	2,480.11
Lowest share price (UK p)	2,451.80	2,182.34	1,767.17

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Statement of total return

for the year to 31 August	Note	2022		2021	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		(40,447)		54,722
Revenue	5	8,891		6,842	
Expenses	6	(2,767)		(2,954)	
Interest payable and similar charges		0		0	
Net revenue/(expense) before taxation		6,124		3,888	
Taxation	7	(593)		(1,251)	
Net revenue/(expense) after taxation			5,531		2,637
Total return before distributions			(34,916)		57,359
Distributions	8		(7,655)		(5,277)
Change in net assets attributable to shareholders from investment activities			(42,571)		52,082

Statement of change in net assets attributable to shareholders

for the year to 31 August	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		241,065		191,438
Amounts received on issue of shares	6,572		20,237	
Amounts paid on cancellation of shares	(10,404)		(23,793)	
		(3,832)		(3,556)
Dilution adjustments		32		95
Change in net assets attributable to shareholders from investment activities (see above)		(42,571)		52,082
Retained distributions on Accumulation shares		1,713		1,006
Unclaimed distributions		1		0
Closing net assets attributable to shareholders		196,408		241,065

Interest payable and similar charges of \$0 (2021: \$0) has been reclassified from 'Expenses' within the statement of total return.

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Balance sheet

as at 31 August	Note	2022 \$'000	2021 \$'000
Assets			
Fixed assets			
Investments		200,525	245,274
Current assets			
Debtors	9	240	1,223
Cash and bank balances	10	582	1,345
Cash equivalents		3,638	900
Total assets		204,985	248,742
Liabilities			
Creditors			
Distribution payable		(5,844)	(4,330)
Other creditors	11	(2,141)	(2,933)
Deferred tax provision	7	(592)	(414)
Total liabilities		(8,577)	(7,677)
Net assets attributable to shareholders		196,408	241,065

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2022 \$'000	2021 \$'000
Non-derivative securities	(40,386)	54,740
Currency gains/(losses)	(61)	(18)
Net capital gains/(losses)	(40,447)	54,722

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

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for the year to 31 August	2022 \$'000	% of transaction	2021 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	64,068		93,917	
Commissions	57	0.09	81	0.09
Taxes	35	0.05	46	0.05
Total purchases after transaction costs	64,160		94,044	
b) Sales				
Equities				
Equities before transaction costs	68,653		97,085	
Commissions	(41)	0.06	(54)	0.06
Taxes	(85)	0.12	(116)	0.12
Total sales after transaction costs	68,527		96,915	
	2022 \$'000	% of average NAV	2021 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	98	0.04	135	0.06
Taxes paid				
Equities	120	0.05	162	0.07
Total direct portfolio transaction costs	218	0.09	297	0.13
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.22		0.28

5 Revenue

for the year to 31 August	2022 \$'000	2021 \$'000
Dividends from equity investments: non-taxable	8,675	6,300
Dividends from equity investments: taxable	17	88
Interest distributions	10	3
Property distribution: taxable	102	93
Rebate of ongoing charges from underlying funds	1	2
Stock dividends	86	356
Total revenue	8,891	6,842

Financial statements and notes

6 Expenses

for the year to 31 August	2022 \$'000	2021 \$'000
Payable to the ACD or associate		
Annual charge	2,767	2,956
Other expenses		
Safe custody charge ^a	0	(2)
Total expenses	2,767	2,954

Audit fees for the financial year ending 2022 were £11,000 (2021: £10,000) (including VAT), which are covered by the annual charge. Interest payable and similar charges of \$0 (2021: \$0) has been reclassified from 'Expenses' within the statement of total return.

^a This amount relates to refunds received in respect of charges to the fund before the single annual charge took effect.

7 Taxation

for the year to 31 August	2022 \$'000	2021 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	415	431
Capital gains tax (India)	0	406
Deferred tax provision on capital gains tax (India) (note 7c)	178	414
Total taxation	593	1,251
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	6,124	3,888
Corporation tax at 20%	1,225	778
Effects of:		
Dividends from equity investments: non-taxable	(1,735)	(1,260)
Stock dividends: non-taxable	(17)	(71)
Current year expenses not utilised	529	556
Withholding tax	415	431
Capital gains tax (India)	178	820
Overseas tax expensed	(2)	(3)
Total tax charge (note 7a)	593	1,251
c) Provision for deferred taxation		
Provision at the start of the year	414	0
Deferred tax in profit and loss account (note 7a)	178	414
Provision at the end of the year	592	414

The fund has not recognised a deferred tax asset of \$22,528,000 (2021: \$21,999,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

Financial statements and notes

8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 31 August	2022		2021	
	Inc \$'000	Acc \$'000	Inc \$'000	Acc \$'000
Dividend distributions				
Final	5,844	1,713	4,330	1,006
Total net distributions		7,557		5,336
Income deducted on cancellation of shares		341		202
Income received on issue of shares		(243)		(261)
Distributions		7,655		5,277
Net revenue/(expense) per statement of total return		5,531		2,637
Expenses offset against capital		2,032		2,176
Stock dividends not distributed		(86)		(356)
Capital gains tax offset against capital		178		820
Distributions		7,655		5,277

9 Debtors

as at 31 August	2022 \$'000	2021 \$'000
Amounts receivable on issues of shares	0	507
Currency deals outstanding	0	145
Distributions receivable	3	0
Dividends receivable	188	222
Sales awaiting settlement	49	349
Total debtors	240	1,223

10 Cash and bank balances

as at 31 August	2022 \$'000	2021 \$'000
Cash held as bank balances	582	1,345
Total cash and bank balances	582	1,345

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11 Other creditors

as at 31 August	2022 \$'000	2021 \$'000
Amounts payable on cancellation of shares	1,975	2,486
Annual charge payable	63	180
Currency deals outstanding	0	145
Purchases awaiting settlement	103	122
Total other creditors	2,141	2,933

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2021: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening		Movements		Closing 31.08.22
	01.09.21	Issued	Cancelled	Converted	
Sterling					
Class 'A' Income	6,448,963	17,300	(110,808)	302,553	6,658,008
Class 'A' Accumulation	494,299	7,800	(40,400)	67,902	529,601
Class 'I' Income	937,354	26,800	(39,900)	0	924,254
Class 'I' Accumulation	1,241,243	163,370	(147,600)	0	1,257,013
Class 'R' Income	528,666	37,000	(61,000)	0	504,666
Class 'R' Accumulation	3,793,375	135,961	(215,369)	0	3,713,967
Class 'X' Income	330,911	5,000	(32,950)	(302,961)	0
Class 'X' Accumulation	79,683	2,100	(13,240)	(68,543)	0

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

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14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge %
Sterling	
Class 'A'	1.35
Class 'I'	0.95
Class 'R'	1.20
Class 'X'	1.35

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 42.01% (2021: 41.83%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

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Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 August	Assets 2022 \$'000	Liabilities 2022 \$'000	Assets 2021 \$'000	Liabilities 2021 \$'000
Level 1	200,525	0	245,274	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	200,525	0	245,274	0

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$10,026,000 (2021: \$12,264,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$8,876,000 (2021: \$11,279,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2022 \$'000	2021 \$'000
Currency exposure in respect of the fund		
Australian dollar	29,957	24,856
Canadian dollar	1,841	2,530
Hong Kong dollar	65,901	90,770
Indian rupee	20,168	18,161
Indonesian rupiah	4,077	3,001
Philippine peso	0	2,373
Singapore dollar	13,943	17,164
South Korean won	25,154	33,719
Sterling	(7,820)	27
Taiwan dollar	20,663	27,494
Thailand baht	3,626	5,488
US dollar	18,898	15,482
Total	196,408	241,065

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20 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

21 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

22 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.21	31.08.22	01.09.22	31.10.22

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2022	2021
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	48.4032	16.1336	64.5368	39.6475

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2022	2021
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	50.1817	24.1396	74.3213	32.8105

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2022	2021
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	53.6433	21.7618	75.4051	46.1335

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Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	46.0375	22.0781	68.1156	34.8126

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	5.4744	1.9513	7.4257	4.5541

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	4.5186	1.5415	6.0601	2.9031

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	n/a	n/a	n/a	39.5971

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	n/a	n/a	n/a	32.5008

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23 Events after the balance sheet date

Due to recent market volatility and sentiment, the following share classes have shown material price movements since year end.

Net asset	31.08.22	28.10.22	% Change
Sterling			
Class 'A' Income	1,512.62	1,291.90	-14.59
Class 'A' Accumulation	2,833.79	2,421.52	-14.55
Class 'I' Income	1,770.24	1,512.90	-14.54
Class 'I' Accumulation	2,230.97	1,907.50	-14.50
Class 'R' Income	174.16	148.78	-14.57
Class 'R' Accumulation	217.62	186.00	-14.53

Authorised Corporate Director's Report

For the purposes of these financial statements, the prospectus dated 29 July 2022 has been used.

Investment objective

The fund has two aims:

- To provide a higher total return (capital growth plus income), net of the ongoing charge figure, than that of the MSCI Europe ex UK Index over any five-year period; and
- To invest in companies that contribute towards the Paris Agreement climate change goal.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity-related securities of companies across any sector and market capitalisation that are incorporated, domiciled or listed in Europe, excluding the UK. The fund has a concentrated portfolio and usually holds fewer than 35 companies.

The fund invests in securities that meet the ESG Criteria and Sustainability Criteria.

The following types of exclusions apply to the fund's direct investments:

- Norms-based exclusions: investments that are assessed to be in breach of commonly accepted standards of behaviour related to human rights, labour rights, environment and anti-corruption.
- Sector-based and/or values-based exclusions: investments and/or sectors exposed to business activities that are assessed to be damaging to human health, societal wellbeing, the environment, or otherwise assessed to be misaligned with the fund's sector-based and/or values-based criteria.
- Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria and Sustainability Criteria.

References to "assessed" above mean assessment in accordance with the ESG Criteria and Sustainability

Criteria document as disclosed in the ESG Information section below. Further information on the exclusions applicable to the fund can be found in this document.

The fund may also invest in other transferable securities, money market instruments, cash and near cash for liquidity purposes, directly and via collective investment schemes (including funds managed by M&G).

Derivatives may be used for efficient portfolio management and hedging.

As explained in the ESG Criteria and Sustainability Criteria document, it may not be practicable to perform ESG analysis on cash, near cash, some derivatives and some collective investment schemes, to the same standards as for the other investments. The fund manager will assess the suitability of such instruments relative to the fund's investment objective.

Investment approach

The fund is a focused Europe ex UK equity fund, investing over the long term in sustainable companies which contribute to the long-term global warming objectives of the Paris Agreement, by either having a Low Carbon Intensity and/or a Reducing Carbon intensity. Low Carbon Intensity means a carbon intensity lower than 50% of the weighted average Carbon intensity of the fund's benchmark, the MSCI Europe ex UK Index. Reducing Carbon Intensity companies mean companies that have Science Based Targets aligned with the Paris Agreement or have committed to have them in place within a defined time period. The fund manager considers that active engagement with these companies is key to sustain positive change.

In addition, these companies need to demonstrate business models competitively positioned to protect their profitability as well as an ongoing commitment to decarbonisation. Importantly, the fund invests in businesses where short-term issues have provided a clear valuation opportunity. The fund employs a bottom-up stock picking approach, driven by the

Authorised Corporate Director's Report

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

Sustainability considerations encompassing ESG factors are fully integrated into the investment process through ongoing engagement with investee companies. In particular, climate considerations, including investing in Low and/or Reducing Carbon Intensity companies and non-mandatory factors such as whether companies are providing direct solutions to the climate challenge via their products and services, play an important role in determining the investment universe, stock selection, and portfolio construction, alongside other sustainability considerations. The fund will typically have a weighted average carbon intensity of less than half that of the MSCI Europe ex UK Index.

ESG Information

Additional information is available to investors on the fund page of the M&G website:

- ESG Criteria and Sustainability Criteria: in the document titled "M&G European Sustain Paris Aligned Fund – ESG Criteria and Sustainability Criteria" which includes the fund's exclusions approach.
- An Annual ESG and Sustainability Report providing an assessment of the sustainable objective of the fund will also be published when available.
- Any other periodic reporting against the sustainable objective of the fund.

Benchmark

Benchmark: MSCI Europe ex UK Index.

The benchmark is the target for the fund's financial objective and is used to measure the fund's financial performance. The index has been chosen as the fund's

benchmark as it best reflects the financial aspects of the fund's investment policy.

The benchmark is also used to define what a Low Carbon Intensity company is and to measure the fund's weighted average carbon intensity but does not otherwise constrain the fund's portfolio construction.

The fund is actively managed and within given constraints, the fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents, and as a result the fund's performance may deviate materially from the benchmark.

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

Risk profile

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



The above number:

- is based on the rate at which the value of the fund has moved up and down in the past and is based on historical data so may not be a reliable indicator of the future risk profile of the fund.
- is not guaranteed and may change over time and the lowest risk number does not mean risk free.
- has changed during this period. From 1 September to 12 December 2021 the risk number was 6 then from 13 December 2021 to 22 May 2022 the risk number was 5.

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Investment review

For the year ended 31 August 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 31 August 2022, the M&G European Sustain Paris Aligned Fund delivered a negative total return (the combination of income and growth of capital) across all of its sterling share classes. Fund performance was behind the average return from the fund's benchmark, the MSCI Europe ex UK Index, which was -10.9% over the same 12-month period under review.

Over five years, the fund has generated a positive annualised total return across all its share classes. Fund performance for the Class 'I' shares was in line with the average return from the fund's benchmark, the MSCI Europe ex UK Index, which was 3.0% pa in sterling. Performance for all other share classes was behind the benchmark. Therefore, the fund's performance has not met its objective to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than that of the MSCI Europe ex UK Index over any five-year period.

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

Performance review

European stockmarkets fell in the 12 months under review. After a strong end to 2021, markets trended lower throughout the remainder of the period under review. High inflation readings persisted over the period, and many global central banks increased interest rates in an attempt to keep prices under control.

A major contributor to inflation was the rising cost of energy, which was exacerbated by Russia's invasion of Ukraine, and the subsequent restrictions in the supply of Russian gas. The disruption of global supply chains, partly due to the ongoing COVID-19 pandemic, also contributed to higher prices.

At the same time, there were concerns over the path of future economic growth in the period. This prospect of

high inflation and stagnating economic growth, together known as 'stagflation', dampened investor confidence and pushed stockmarkets lower in 2022.

Against this backdrop, energy was by far the top-performing sector, while the consumer staples sector also performed positively. Conversely, the technology and real estate sectors suffered the biggest losses in the period.

Turning to the fund itself, relative underperformance was partly due to the fund having no exposure to energy companies. Relative performance was also negatively affected by an above-benchmark exposure to the industrials sector, which fell significantly in the reporting period, and by stockpicking in the healthcare and consumer discretionary sectors.

At the individual stock level, the worst detractor was paint and coatings specialist Akzo Nobel. The company announced a steep fall in profits at the beginning of 2022, owing to the higher costs of raw materials and transport, and from reduced demand in China and Europe. However, the company is attempting to offset cost increases through pricing initiatives, and expects cost pressures to gradually ease by the end of 2022. Other detractors included dialysis specialist Fresenius Medical Care, and transport and logistics firm DSV.

On the positive side, the fund benefited from having no exposure to real estate companies, and from maintaining a lower exposure to technology companies than the benchmark. Stockpicking in the technology and consumer staples sectors was also positive for performance.

The biggest individual contributor was Danish pharmaceuticals specialist Novo Nordisk. After a tough end to 2021, the company's share price has risen steadily since the beginning of 2022, with the company releasing several strong sets of financial results, and upgrading their earnings expectations for the year. Other positive contributors included industrial gas producer Linde, and financial institution Bank of Georgia.

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Engagement activities

We engaged with a number of portfolio companies on environmental issues during the period. For example, we encouraged ISS, CTS Eventim and ALK Abello to improve their disclosures of carbon emissions.

We also asked DSV to set a net zero emissions target, and encouraged a number of companies to verify their emission reduction targets with the Science Based Targets Initiative. Targets are considered to be 'science based' if they are in line with the pace required to keep the global temperature increase below 1.5°C compared to pre-industrial temperatures. These companies included WH Smith, Fresenius Medical Care and Grifols.

Investment activities

During the review period, we made a number of changes to the portfolio. The first was the purchase of Italian company Fineco in October 2021. Fineco is a trading platform, bank and asset manager, which we see as a rare high-returning company in the Italian market, with good compounding growth characteristics.

Two new companies were added in December 2021, after the M&G Pan European Select Smaller Companies Fund and M&G European Select Fund were absorbed into the fund. These were German nanotech medical equipment business MagForce, and Dutch filtration specialist NX Filtration. Both companies were subsequently sold.

Outlook

Despite the current concerns about high inflation and a possible recession, we believe the fund will be resilient in such an environment.

First and foremost, this is because we look for companies with defensive business models and strong pricing power. These are companies that can deal with inflation and weather a recessionary storm. In addition, in an environment where prices continue to rise, we would expect increased demand for products and services that provide efficiency gains and energy savings, as other companies look to reduce their costs. Several companies in the fund offer these products and services.

Short-term uncertainty has distracted many investors from focusing on longer-term sustainability trends, such as the push to decarbonise the economy and achieve the goals of the Paris Agreement. However, we remain confident in the prospects of our investee companies, and their ability to provide strong growth potential – and good financial returns – for our investors over the longer term.

John William Olsen

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.08.22 €'000	as at 31.08.22 %	as at 31.08.21 %
Equities	345,146	98.27	94.94
Oil, gas & consumable fuels	0	0.00	3.90
Chemicals	24,436	6.96	7.27
205,846 Akzo Nobel	13,129	3.74	
39,815 Linde	11,307	3.22	
Electrical equipment	41,921	11.94	5.80
197,938 Legrand	14,529	4.14	
161,595 Schneider Electric	19,595	5.58	
310,694 Vestas Wind Systems	7,797	2.22	
Machinery	22,878	6.51	4.33
241,300 Andritz	11,143	3.17	
1,496,754 Metso Outotec	11,735	3.34	
Commercial services & supplies	14,509	4.13	3.89
589,132 ISS	10,334	2.94	
73,319 Société BIC	4,175	1.19	
Professional services	0	0.00	3.20
Air freight & logistics	15,219	4.33	5.29
103,698 DSV	15,219	4.33	
Marine	14,085	4.01	4.55
61,307 Kuehne + Nagel International	14,085	4.01	
Textiles, apparel & luxury goods	5,470	1.56	2.19
91,266 Pandora	5,470	1.56	
Specialty retail	8,466	2.41	8.83
503,151 WH Smith	8,466	2.41	
Food products	19,155	5.45	4.12
163,531 Nestlé	19,155	5.45	
Household products	0	0.00	2.65
Personal products	9,168	2.61	2.50
201,178 Unilever	9,168	2.61	
Health care providers & services	7,333	2.09	3.30
215,040 Fresenius Medical Care	7,333	2.09	
Biotechnology	7,816	2.23	0.00
1,009,781 Grifols Preference Shares	7,816	2.23	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 €'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Pharmaceuticals	42,403	12.07	10.91
775,760 ALK-Abelló	14,562	4.14	
259,962 Novo Nordisk	27,841	7.93	
Banks	38,284	10.90	7.77
5,618,525 AIB	12,642	3.60	
221,190 Bank of Georgia	5,149	1.47	
804,036 FincoBank	8,760	2.49	
1,337,607 ING	11,733	3.34	
Capital markets	3,495	1.00	0.72
440,883 Georgia Capital	3,495	1.00	
Insurance	12,863	3.66	1.43
87,387 Hannover Rueck	12,863	3.66	
IT services	12,193	3.47	2.80
232,696 Amadeus IT	12,193	3.47	
Software	12,409	3.53	4.06
145,017 SAP	12,409	3.53	
Entertainment	15,944	4.54	2.92
296,089 CTS Eventim	15,944	4.54	
Interactive media & services	17,099	4.87	2.51
298,103 Scout24	17,099	4.87	
Total portfolio	345,146	98.27	94.94
Net other assets/(liabilities)	6,093	1.73	5.06
Net assets attributable to shareholders	351,239	100.00	100.00

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

Portfolio statement

Top ten portfolio transactions for the year to 31 August 2022

Largest purchases	€'000
Legrand	8,867
FinecoBank	6,508
Hannover Rueck	5,930
Metso Outotec	5,902
Grifols Preference Shares	5,840
Scout24	5,101
Vestas Wind Systems	4,904
CTS Eventim	3,903
ALK-Abelló	3,297
Akzo Nobel	1,423
Other purchases	9,727
Total purchases	61,402

Largest sales	€'000
Pets at Home	8,117
Novo Nordisk	7,278
Equinor	7,109
RELX	5,848
WH Smith	5,233
Reckitt Benckiser	4,848
Nx Filtration	3,525
SigmaRoc	3,463
Weir	3,157
Hiscox	2,619
Other sales	4,184
Total sales	55,381

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

Financial highlights

Fund performance

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

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at www.mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

On 24 June 2022, the Sterling Class 'X' Income and Sterling Class 'X' Accumulation shares were merged into the equivalent Sterling Class 'A' Income and Sterling Class 'A' Accumulation shares.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	-14.4	+2.9	+2.4	+8.0
Class 'A' Accumulation	-14.4	+2.9	+2.4	+8.0
Class 'I' Income	-14.0	+3.4	+3.0	+8.7
Class 'I' Accumulation	-14.0	+3.4	+3.0	+8.7
Class 'PP' Income	n/a	n/a	n/a	n/a
Class 'PP' Accumulation	n/a	n/a	n/a	n/a
Class 'R' Income	-14.2	+3.1	+2.7	+8.4
Class 'R' Accumulation	-14.3	+3.1	+2.7	+8.4
Class 'X' Income	-16.1	+2.4	+2.1	+7.9
Class 'X' Accumulation	-16.1	+2.4	+2.1	+7.9
Benchmark	-10.9	+2.7	+3.0	+8.1

^a Not annualised.

Specific share class performance

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

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 29 September 1989.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	270.13	211.57	218.93
Return before operating charges	(36.50)	65.09	(1.38)
Operating charges	(2.34)	(2.56)	(2.51)
Return after operating charges	(38.84)	62.53	(3.89)
Distributions	(5.13)	(3.97)	(3.47)
Closing NAV	226.16	270.13	211.57
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.10	0.02
Dilution adjustments	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.07	0.08	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.01
Operating charges	0.95	1.06	1.20
Return after charges	-14.38	+29.56	-1.78
Other information			
Closing NAV (€'000)	136,893	82,250	67,715
Number of shares	52,001,854	26,169,937	28,639,189
Highest share price (UK p)	272.87	273.10	232.78
Lowest share price (UK p)	213.73	201.32	157.54

Sterling Class 'A' Accumulation share performance

The share class was launched on 29 September 1989.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	605.85	467.36	475.71
Return before operating charges	(81.90)	144.16	(2.89)
Operating charges	(5.25)	(5.67)	(5.46)
Return after operating charges	(87.15)	138.49	(8.35)
Distributions	(6.25)	(3.23)	(2.09)
Retained distributions	6.25	3.23	2.09
Closing NAV	518.70	605.85	467.36
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.18	0.23	0.04
Dilution adjustments	(0.02)	(0.03)	(0.02)
Total direct transaction costs	0.16	0.20	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.01
Operating charges	0.95	1.06	1.20
Return after charges	-14.38	+29.63	-1.76
Other information			
Closing NAV (€'000)	113,157	54,740	43,309
Number of shares	18,742,076	7,765,818	8,292,045
Highest share price (UK p)	611.99	605.56	505.77
Lowest share price (UK p)	481.39	444.71	343.71

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,178.15	1,698.24	1,748.52
Return before operating charges	(294.86)	523.85	(10.75)
Operating charges	(10.93)	(11.98)	(11.71)
Return after operating charges	(305.79)	511.87	(22.46)
Distributions	(41.43)	(31.96)	(27.82)
Closing NAV	1,830.93	2,178.15	1,698.24
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.65	0.84	0.16
Dilution adjustments	(0.07)	(0.13)	(0.08)
Total direct transaction costs	0.58	0.71	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.01
Operating charges	0.55	0.61	0.70
Return after charges	-14.04	+30.14	-1.28
Other information			
Closing NAV (€'000)	21,181	12,446	9,911
Number of shares	993,867	491,111	522,208
Highest share price (UK p)	2,201.88	2,202.04	1,862.79
Lowest share price (UK p)	1,726.94	1,617.34	1,261.71

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,721.99	2,090.38	2,117.18
Return before operating charges	(368.53)	646.39	(12.63)
Operating charges	(13.65)	(14.78)	(14.17)
Return after operating charges	(382.18)	631.61	(26.80)
Distributions	(38.21)	(24.76)	(19.67)
Retained distributions	38.21	24.76	19.67
Closing NAV	2,339.81	2,721.99	2,090.38
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.81	1.04	0.20
Dilution adjustments	(0.09)	(0.16)	(0.10)
Total direct transaction costs	0.72	0.88	0.10
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.01
Operating charges	0.55	0.61	0.70
Return after charges	-14.04	+30.22	-1.27
Other information			
Closing NAV (€'000)	55,047	18,601	14,135
Number of shares	2,021,174	587,343	605,067
Highest share price (UK p)	2,751.67	2,720.71	2,255.31
Lowest share price (UK p)	2,167.27	1,990.77	1,533.91

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 2 September 2021.

for the year to 31 August Change in NAV per share	2022 UK p
Opening NAV	100.00
Return before operating charges	(13.60)
Operating charges	(0.41)
Return after operating charges	(14.01)
Distributions	(1.89)
Closing NAV	84.10
Direct transaction costs	UK p
Costs before dilution adjustments	0.03
Dilution adjustments	0.00
Total direct transaction costs	0.03
Performance and charges	%
Direct portfolio transaction costs	0.03
Operating charges	0.45
Return after charges	-14.01
Other information	
Closing NAV (€'000)	363
Number of shares	370,882
Highest share price (UK p)	101.05
Lowest share price (UK p)	79.29

Sterling Class 'PP' Accumulation share performance

The share class was launched on 2 September 2021.

for the year to 31 August Change in NAV per share	2022 UK p
Opening NAV	100.00
Return before operating charges	(13.60)
Operating charges	(0.41)
Return after operating charges	(14.01)
Distributions	(1.49)
Retained distributions	1.49
Closing NAV	85.99
Direct transaction costs	UK p
Costs before dilution adjustments	0.03
Dilution adjustments	0.00
Total direct transaction costs	0.03
Performance and charges	%
Direct portfolio transaction costs	0.03
Operating charges	0.45
Return after charges	-14.01
Other information	
Closing NAV (€'000)	529
Number of shares	529,126
Highest share price (UK p)	101.05
Lowest share price (UK p)	79.62

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	212.47	166.08	171.42
Return before operating charges	(28.73)	51.16	(1.07)
Operating charges	(1.55)	(1.65)	(1.55)
Return after operating charges	(30.28)	49.51	(2.62)
Distributions	(4.04)	(3.12)	(2.72)
Closing NAV	178.15	212.47	166.08
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.08	0.02
Dilution adjustments	(0.01)	(0.01)	(0.01)
Total direct transaction costs	0.05	0.07	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.01
Operating charges	0.80	0.86	0.95
Return after charges	-14.25	+29.81	-1.53
Other information			
Closing NAV (€'000)	3,932	2,872	2,066
Number of shares	1,896,149	1,161,903	1,113,027
Highest share price (UK p)	214.68	214.80	182.44
Lowest share price (UK p)	168.23	158.09	123.52

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	265.87	204.69	207.84
Return before operating charges	(35.96)	63.22	(1.26)
Operating charges	(1.94)	(2.04)	(1.89)
Return after operating charges	(37.90)	61.18	(3.15)
Distributions	(3.12)	(1.86)	(1.42)
Retained distributions	3.12	1.86	1.42
Closing NAV	227.97	265.87	204.69
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.10	0.02
Dilution adjustments	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.07	0.08	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.01
Operating charges	0.80	0.86	0.95
Return after charges	-14.26	+29.89	-1.52
Other information			
Closing NAV (€'000)	20,137	9,671	6,844
Number of shares	7,588,674	3,126,289	2,991,663
Highest share price (UK p)	268.64	265.75	221.18
Lowest share price (UK p)	211.41	194.86	150.37

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	267.19	209.26	216.53
Return before operating charges	(41.19)	64.39	(1.35)
Operating charges	(1.91)	(2.53)	(2.49)
Return after operating charges	(43.10)	61.86	(3.84)
Distributions	(0.97)	(3.93)	(3.43)
NAV of in specie transfer	(223.12)	n/a	n/a
Closing NAV	0.00	267.19	209.26
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.10	0.02
Dilution adjustments	(0.01)	(0.02)	(0.01)
Total direct transaction costs	0.06	0.08	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.01
Operating charges	0.95	1.06	1.20
Return after charges	-16.13	+29.56	-1.77
Other information			
Closing NAV (€'000)	0	912	763
Number of shares	0	293,511	326,319
Highest share price (UK p)	269.89	270.12	230.23
Lowest share price (UK p)	211.40	199.12	155.81

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	598.71	461.86	470.11
Return before operating charges	(92.31)	142.45	(2.87)
Operating charges	(4.30)	(5.60)	(5.38)
Return after operating charges	(96.61)	136.85	(8.25)
Distributions	n/a	(3.19)	(2.07)
Retained distributions	n/a	3.19	2.07
NAV of in specie transfer	(502.10)	n/a	n/a
Closing NAV	0.00	598.71	461.86
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.15	0.23	0.04
Dilution adjustments	(0.02)	(0.03)	(0.02)
Total direct transaction costs	0.13	0.20	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.01
Operating charges	0.95	1.06	1.20
Return after charges	-16.14	+29.63	-1.75
Other information			
Closing NAV (€'000)	0	907	708
Number of shares	0	130,246	137,229
Highest share price (UK p)	604.78	598.43	499.81
Lowest share price (UK p)	475.71	439.48	339.65

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Statement of total return

for the year to 31 August	Note	2022		2021	
		€'000	€'000	€'000	€'000
Income					
Net capital gains/(losses)	3		(59,509)		47,496
Revenue	5	8,048		2,846	
Expenses	6	(2,796)		(1,585)	
Interest payable and similar charges		(13)		(4)	
Net revenue/(expense) before taxation		5,239		1,257	
Taxation	7	(862)		(145)	
Net revenue/(expense) after taxation			4,377		1,112
Total return before distributions			(55,132)		48,608
Distributions	8		(5,780)		(2,011)
Change in net assets attributable to shareholders from investment activities			(60,912)		46,597

Statement of change in net assets attributable to shareholders

for the year to 31 August	2022		2021	
	€'000	€'000	€'000	€'000
Opening net assets attributable to shareholders		182,399		145,451
Amounts received on issue of shares	6,548		6,643	
Amounts paid on cancellation of shares	(25,825)		(16,856)	
Transfer from M&G European Select Fund & M&G Pan European Select Smaller Companies Fund	246,448		0	
		227,171		(10,213)
Dilution adjustments		20		15
Change in net assets attributable to shareholders from investment activities (see above)		(60,912)		46,597
Retained distributions on Accumulation shares		2,549		532
Unclaimed distributions		12		17
Closing net assets attributable to shareholders		351,239		182,399

Interest payable and similar charges of €13,000 (2021: €4,000) has been reclassified from 'Expenses' within the statement of total return.

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Balance sheet

as at 31 August	Note	2022 €'000	2021 €'000
Assets			
Fixed assets			
Investments		345,146	173,174
Current assets			
Debtors	9	4,022	12,963
Cash and bank balances	10	130	115
Cash equivalents		5,527	705
Total assets		354,825	186,957
Liabilities			
Creditors			
Distribution payable		(2,973)	(1,128)
Other creditors	11	(613)	(3,430)
Total liabilities		(3,586)	(4,558)
Net assets attributable to shareholders		351,239	182,399

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

The fund's functional and presentational currency is the euro as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2022 €'000	2021 €'000
Non-derivative securities	(60,115)	47,586
Currency gains/(losses)	(92)	(91)
Reimbursement received from M&G	691	0
Rebate of ongoing charges from underlying funds taken to capital	7	1
Net capital gains/(losses)	(59,509)	47,496

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

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for the year to 31 August	2022 €'000	% of transaction	2021 €'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	61,317		17,508	
Commissions	21	0.03	4	0.02
Taxes	64	0.10	57	0.33
Total purchases after transaction costs	61,402		17,569	
b) Sales				
Equities				
Equities before transaction costs	55,402		36,086	
Commissions	(21)	0.04	(9)	0.02
Total sales after transaction costs	55,381		36,077	
	2022 €'000	% of average NAV	2021 €'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	42	0.01	13	0.01
Taxes paid				
Equities	64	0.02	57	0.03
Total direct portfolio transaction costs	106	0.03	70	0.04
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.09		0.08

5 Revenue

for the year to 31 August	2022 €'000	2021 €'000
Dividends from equity investments: non-taxable	7,999	2,771
Dividends from equity investments: taxable	49	75
Total revenue	8,048	2,846

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6 Expenses

for the year to 31 August	2022 €'000	2021 €'000
Payable to the ACD or associate		
Annual charge	2,796	1,585
Total expenses	2,796	1,585

Audit fees for the financial year ending 2022 were €11,000 (2021: €10,000) (including VAT), which are covered by the annual charge. Interest payable and similar charges of €13,000 (2021: €4,000) has been reclassified from 'Expenses' within the statement of total return.

7 Taxation

for the year to 31 August	2022 €'000	2021 €'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	862	145
Deferred tax (note 7c)	0	0
Total taxation	862	145
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	5,239	1,257
Corporation tax at 20%	1,048	252
Effects of:		
Dividends from equity investments: non-taxable	(1,600)	(554)
Expenses not deductible for tax purposes	1	0
Current year expenses not utilised	551	302
Withholding tax	862	145
Total tax charge (note 7a)	862	145
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of €8,738,000 (2021: €8,187,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 31 August	2022		2021	
	Inc €'000	Acc €'000	Inc €'000	Acc €'000
Dividend distributions				
Interim	755	74	329	8
Final	2,973	2,475	1,128	524
Total net distributions		6,277		1,989
Income deducted on cancellation of shares		214		46
Income received on issue of shares		(711)		(24)
Distributions		5,780		2,011
Net revenue/(expense) per statement of total return		4,377		1,112
Expenses offset against capital		1,403		899
Distributions		5,780		2,011

9 Debtors

as at 31 August	2022 €'000	2021 €'000
Amounts receivable on issues of shares	1	22
Currency deals outstanding	113	199
Dividends receivable	85	228
Sales awaiting settlement	0	11,506
Withholding tax recoverable	3,179	1,008
Reimbursement receivable from M&G	644	0
Total debtors	4,022	12,963

10 Cash and bank balances

as at 31 August	2022 €'000	2021 €'000
Cash held as bank balances	130	115
Total cash and bank balances	130	115

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11 Other creditors

as at 31 August	2022 €'000	2021 €'000
Amounts payable on cancellation of shares	233	191
Annual charge payable	76	97
Currency deals outstanding	114	199
Purchases awaiting settlement	0	2,656
Payable to M&G (Lux) Pan European Select Fund	190	287
Total other creditors	613	3,430

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2021: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.09.21	Issued	Movements Cancelled	Converted	Closing 31.08.22
Sterling					
Class 'A' Income	26,169,937	28,563,085	(3,944,260)	1,213,092	52,001,854
Class 'A' Accumulation	7,765,818	11,667,478	(1,078,342)	387,122	18,742,076
Class 'I' Income	491,111	613,897	(111,141)	0	993,867
Class 'I' Accumulation	587,343	1,536,637	(102,806)	0	2,021,174
Class 'PP' Income	0	380,892	(10,010)	0	370,882
Class 'PP' Accumulation	0	539,126	(10,000)	0	529,126
Class 'R' Income	1,161,903	834,246	(100,000)	0	1,896,149
Class 'R' Accumulation	3,126,289	4,848,385	(386,000)	0	7,588,674
Class 'X' Income	293,511	1,056,429	(123,420)	(1,226,520)	0
Class 'X' Accumulation	130,246	300,595	(39,101)	(391,740)	0

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

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14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge %
Sterling	
Class 'A'	0.95
Class 'I'	0.55
Class 'PP'	Up to 0.70
Class 'R'	0.80
Class 'X'	0.95

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 13.89% (2021: nil) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

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Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 August	Assets 2022 €'000	Liabilities 2022 €'000	Assets 2021 €'000	Liabilities 2021 €'000
Level 1	345,146	0	173,174	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	345,146	0	173,174	0

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by €17,257,000 (2021: €8,659,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by €6,983,000 (2021: €5,500,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2022 €'000	2021 €'000
Currency exposure in respect of the fund		
Danish krone	81,766	38,869
Euro	211,588	72,391
Norwegian krone	0	7,116
Sterling	23,271	45,523
Swiss franc	34,614	18,500
Total	351,239	182,399

20 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

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21 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

22 Dividend distribution tables

This fund pays semi-annual ordinary distributions and the following table sets out the distribution periods.

Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.09.21	28.02.22	01.03.22	30.04.22
Final	01.03.22	31.08.22	01.09.22	31.10.22

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
Interim	0.0179	0.9663	0.9842	0.8754
Final	1.9899	2.1519	4.1418	3.0949

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income 2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	2.4804	3.7729	6.2533	3.2276

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Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Interim	0.1902	7.7503	7.9405	7.0357
Final	16.5037	16.9845	33.4882	24.9269

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Interim	0.0000	3.0625	3.0625	1.2840
Final	15.3935	19.7571	35.1506	23.4738

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Interim	0.0054	0.3519	0.3573	n/a
Final	1.5375	0.0000	1.5375	n/a

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Interim	0.0000	0.1538	0.1538	n/a
Final	1.3372	0.0000	1.3372	n/a

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Interim	0.0233	0.7510	0.7743	0.6884
Final	2.1452	1.1157	3.2609	2.4331

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Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	1.6937	1.4238	3.1175	1.8584

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Interim	0.0145	0.9590	0.9735	0.8662
Final	n/a	n/a	n/a	3.0611

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Interim	0.0000	0.0000	0.0000	0.0000
Final	n/a	n/a	n/a	3.1907

23 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

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For the purposes of these financial statements, the prospectus dated 29 July 2022 has been used.

Investment objective

The fund has two aims:

- To provide a higher total return (capital growth plus income), net of the ongoing charge figure, than that of the MSCI World Index over any five-year period; and
- To invest in companies that contribute towards the Paris Agreement climate change goal.

Investment policy

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

The fund invests in securities that meet the ESG Criteria and Sustainability Criteria.

The following types of exclusions apply to the fund's direct investments:

- Norms-based exclusions: investments that are assessed to be in breach of commonly accepted standards of behaviour related to human rights, labour rights, environment and anti-corruption.
- Sector-based and/or values-based exclusions: investments and/or sectors exposed to business activities that are assessed to be damaging to human health, societal wellbeing, the environment, or otherwise assessed to be misaligned with the fund's sector-based and/or values-based criteria.
- Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria and Sustainability Criteria.

References to "assessed" above mean assessment in accordance with the ESG Criteria and Sustainability

Criteria document as disclosed in the ESG Information section below. Further information on the exclusions applicable to the fund can be found in this document.

The fund may also invest in other transferable securities, money market instruments, cash and near cash for liquidity purposes, directly and via collective investment schemes (including funds managed by M&G).

Derivatives may be used for efficient portfolio management and hedging.

As explained in the ESG Criteria and Sustainability Criteria document, it may not be practicable to perform ESG analysis on cash, near cash, some derivatives and some collective investment schemes, to the same standards as for the other investments. The fund manager will assess the suitability of such instruments relative to the fund's investment objective.

Investment approach

The fund is a focused core global equity fund, investing over the long term in sustainable companies which contribute to the long-term global warming objectives of the Paris Agreement, by either having a Low Carbon Intensity and/or a Reducing Carbon Intensity. Low Carbon Intensity means a carbon intensity lower than 50% of the weighted average carbon intensity of the fund's benchmark, the MSCI World Index. Reducing Carbon Intensity companies means companies that have Science Based Targets aligned with the Paris Agreement or have committed to have them in place within a defined time period. The fund manager considers that active engagement with these companies is key to sustain positive change.

In addition, these companies need to demonstrate business models competitively positioned to protect their profitability as well as an ongoing commitment to decarbonisation.

Importantly, the fund invests in businesses where short-term issues have provided a clear valuation opportunity. The fund employs a bottom-up stock picking approach, driven by the fundamental analysis of

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

Sustainability considerations encompassing ESG factors are fully integrated into the investment process including through ongoing engagement with investee companies. In particular, climate considerations, including investing in Low and/or Reducing Carbon Intensity companies and non-mandatory factors such as whether companies are providing direct solutions to the climate challenge via their products and services, play an important role in determining the investment universe, stock selection, and portfolio construction, alongside other sustainability considerations. The fund will typically have a weighted average carbon intensity of less than half that of the MSCI World Index.

ESG Information

Additional information is available to investors on the fund page of the M&G website:

- ESG Criteria and Sustainability Criteria: in the document titled “M&G Global Sustain Paris Aligned Fund – ESG Criteria and Sustainability Criteria” which includes the fund’s exclusions approach.
- An Annual ESG and Sustainability Report providing an assessment of the sustainable objective of the fund will also be published when available.
- Any other periodic reporting against the sustainable objective of the fund.

Benchmark

Benchmark: MSCI World Index.

The benchmark is the target for the fund’s financial objective and is used to measure the fund’s financial performance. The index has been chosen as the fund’s benchmark as it best reflects the financial aspects of the fund’s investment policy.

The benchmark is also used to define what a Low Carbon Intensity company is. The fund manager considers the fund’s weighted average carbon intensity against the benchmark when constructing the portfolio, but the benchmark does not otherwise constrain portfolio construction.

The fund is actively managed and within given constraints, the fund manager has freedom in choosing which investments to buy, hold and sell in the fund. The fund’s holdings may deviate significantly from the benchmark’s constituents, and as a result the fund’s performance may deviate materially from the benchmark.

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

Risk profile

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



The above number:

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

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Investment review

For the year ended 31 August 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 31 August 2022, the M&G Global Sustain Paris Aligned Fund delivered a positive total return (the combination of income and growth of capital) across all of its sterling share classes. Fund performance was behind the average return from the fund's benchmark, the MSCI World Index, which was 0.9% over the same 12-month period under review.

Over five years, the fund has generated a positive annualised total return across all its share classes. Fund performance for the Class 'A' shares was just behind the average return from the fund's benchmark, the MSCI World Index, which was 10.6% pa in sterling. Performance for all other share classes was ahead of the benchmark. Therefore, the fund's performance has not met its objective to provide a combination of capital growth and income, net of the ongoing charge figure, that is higher than that of the MSCI World Index over any five-year period.

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

Performance review

Developed stockmarkets rose slightly in the 12 months under review. After a strong end to 2021, markets trended lower throughout the remainder of the period under review. High inflation readings persisted over the period, and many global central banks increased interest rates in an attempt to keep prices under control.

A major contributor to inflation was the rising cost of energy, which was exacerbated by Russia's invasion of Ukraine, and the subsequent restrictions in the supply of Russian gas. The disruption of global supply chains, partly due to the ongoing COVID-19 pandemic, also contributed to higher prices.

At the same time, there were concerns over the path of future economic growth in the period. The prospect of

high inflation and stagnating economic growth, together known as 'stagflation', dampened investor confidence and pushed markets lower in 2022.

Against this backdrop, energy was by far the top-performing sector. Utilities and consumer staples companies also performed positively, as they tend to when there are concerns about economic growth. Conversely, the communication services sector was the worst performer, while technology and consumer discretionary companies also struggled.

Turning to the fund itself, relative underperformance was partly due to the fund having no exposure to energy companies. Stockpicking in the industrials and materials sectors was also negative for performance.

At the individual stock level, the largest detractor was Ball. The aluminium can manufacturer's share price has fallen steadily since the first quarter of 2022, as the company struggles with disrupted global supply chains, higher costs, and the halt of production at several less-efficient US facilities. However, the company is committed to increasing capacity, as beverage companies switch from plastic to more sustainable aluminium packaging. Other detractors included electrical component manufacturer Schneider Electric, and shipping business Kuehne & Nagel.

On the positive side, the fund benefited from having less exposure to consumer discretionary companies than the benchmark. Stock selection was especially positive in the healthcare sector, and to a lesser extent in the technology and financial sectors.

The top individual contributor was UnitedHealth. The company's share price reacted positively to strong financial results during the period, as well as the company's announcement that it was acquiring UK health technology firm EMIS. Other positive holdings included Danish pharmaceuticals firm Novo Nordisk, and insurance specialist Tokio Marine.

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Engagement activities

We engaged with a number of portfolio companies on environmental issues during the period. For example, we encouraged ISS, Manhattan Associates, Unifirst, Tencent and ALK Abello to improve their disclosures of carbon emissions.

We also asked a number of companies to verify their emission reduction targets with the Science Based Targets Initiative. Targets are considered to be 'science based' if they are in line with the pace required to keep the global temperature increase below 1.5°C compared to pre-industrial temperatures. These companies included WH Smith, American Express, UnitedHealth and Ansys.

We also made a number of governance-related engagements during the period. We encouraged Weir Group to improve diversity at the board level, and we asked Unifirst to consider refreshing its board (due to the long tenure of certain board members).

Investment activities

During the period, there were several changes to the fund. In December 2021, we closed the position in Georgian financial institution Georgia Capital. Following this, in January 2022 the fund received a small number of shares in JD.com, due to being a Tencent shareholder. Tencent distributed some of its stake in the company to shareholders as a dividend. These shares were later sold in May.

We added two new companies to the fund in March. These were investment data provider Morningstar and Weir, a mining equipment manufacturer focusing on efficiency and sustainability. As a shareholder of Becton Dickinson, in April we received a small number of shares of Embecta, which was spun out of the business. These were subsequently sold later in the month.

Outlook

Despite the current concerns about high inflation and a possible recession, we believe the fund will be resilient in such an environment.

First and foremost, this is because we look for companies with defensive business models and strong pricing power. These are companies that can deal with inflation and weather a recessionary storm. In addition, in an environment where prices continue to rise, we would expect increased demand for products and services that provide efficiency gains and energy savings, as other companies look to reduce their costs. Several companies in the fund offer these products and services.

Short-term uncertainty has distracted many investors from focusing on longer-term sustainability trends, such as the push to decarbonise the economy and achieve the goals of the Paris Agreement. However, we remain confident in the prospects of our investee companies, and their ability to provide strong growth potential – and good financial returns – for our investors over the longer term.

John William Olsen

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities	753,167	98.41	98.00
Energy equipment & services	0	0.00	0.52
Chemicals	24,892	3.25	3.06
87,828 Linde	24,892	3.25	
Containers & packaging	16,634	2.17	3.09
292,613 Ball	16,634	2.17	
Building products	24,492	3.20	3.71
448,643 Johnson Controls International	24,492	3.20	
Electrical equipment	29,900	3.91	4.93
247,080 Schneider Electric	29,900	3.91	
Machinery	28,838	3.77	2.09
239,567 Graco	15,455	2.02	
794,042 Weir	13,383	1.75	
Commercial services & supplies	21,854	2.86	3.15
666,752 ISS	11,671	1.53	
56,296 UniFirst	10,183	1.33	
Marine	20,793	2.72	3.72
90,690 Kuehne + Nagel International	20,793	2.72	
Specialty retail	32,545	4.25	4.53
1,938,253 WH Smith	32,545	4.25	
Food products	21,946	2.87	2.63
187,745 Nestlé	21,946	2.87	
Household products	13,797	1.80	1.52
180,297 Reckitt Benckiser	13,797	1.80	
Personal products	29,402	3.84	2.33
646,534 Unilever	29,402	3.84	
Health care equipment & supplies	30,620	4.00	3.34
120,846 Becton Dickinson	30,620	4.00	
Health care providers & services	59,951	7.83	5.28
114,360 UnitedHealth	59,951	7.83	
Pharmaceuticals	52,313	6.83	8.07
679,082 ALK-Abelló	12,721	1.66	
370,440 Novo Nordisk	39,592	5.17	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Banks			
1,097,947 ING	9,612	1.26	
67,167 M&T Bank	12,320	1.61	
Thriffs & mortgage finance			
	0	0.00	2.09
Diversified financial services			
570,292 Housing Development Finance	17,544	2.29	
Consumer finance			
156,399 American Express	24,257	3.17	
241,486 Discover Financial Services	24,430	3.19	
Capital markets			
297,385 Bank of New York Mellon	12,418	1.62	
63,414 Morningstar	14,587	1.91	
Insurance			
438,800 Tokio Marine	24,380	3.19	
IT services			
141,865 Visa	28,619	3.74	
Software			
63,005 ANSYS	15,761	2.06	
253,397 Manhattan Associates	35,906	4.69	
210,606 Microsoft	55,554	7.26	
Entertainment			
127,076 Electronic Arts	16,069	2.10	
Interactive media & services			
354,640 Alphabet	38,716	5.06	
361,300 Tencent	15,017	1.96	
Total portfolio	753,167	98.41	98.00
Net other assets/(liabilities)	12,162	1.59	2.00
Net assets attributable to shareholders	765,329	100.00	100.00

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

Portfolio statement

Top ten portfolio transactions for the year to 31 August 2022

Largest purchases	\$'000
Weir	17,874
Morningstar	17,603
Unilever	15,195
WH Smith	4,012
Housing Development Finance	2,801
UnitedHealth	2,790
Microsoft	2,706
Novo Nordisk	2,007
Alphabet	1,909
Schneider Electric	1,665
Other purchases	21,467
Total purchases	90,029

Largest sales	\$'000
ALK-Abelló	12,887
Manhattan Associates	11,016
Microsoft	6,995
Novo Nordisk	5,741
American Express	5,263
NOV	4,673
Georgia Capital	4,037
Alphabet	3,856
UnitedHealth	2,217
Schneider Electric	1,575
Other sales	19,564
Total sales	77,824

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

Financial highlights

Fund performance

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

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at www.mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

On 24 June 2022, the Sterling Class 'X' Income and Sterling Class 'X' Accumulation shares were merged into the equivalent Sterling Class 'A' Income and Sterling Class 'A' Accumulation shares.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	+0.1	+10.6	+10.5	+11.7
Class 'A' Accumulation	+0.1	+10.6	+10.5	+11.7
Class 'I' Income	+0.5	+11.1	+11.1	+12.5
Class 'I' Accumulation	+0.5	+11.1	+11.1	+12.5
Class 'PP' Income	n/a	n/a	n/a	n/a
Class 'PP' Accumulation	n/a	n/a	n/a	n/a
Class 'R' Income	+0.3	+10.8	+10.9	+12.2
Class 'R' Accumulation	+0.3	+10.8	+10.8	+12.2
Class 'X' Income	-6.3	+8.7	+9.4	+11.2
Class 'X' Accumulation	-6.3	+8.7	+9.4	+11.2
Benchmark^b	+0.9	+11.0	+10.6	+13.0

^a Not annualised.

^b The benchmark from 1 January 2012 to 31 December 2015 was the MSCI ACWI Index. Thereafter it is the MSCI World Index.

Specific share class performance

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

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 19 December 1967.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	588.39	459.51	445.72
Return before operating charges	8.21	142.08	25.62
Operating charges	(7.58)	(6.99)	(6.17)
Return after operating charges	0.63	135.09	19.45
Distributions	(8.41)	(6.21)	(5.66)
Closing NAV	580.61	588.39	459.51
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.02	0.07
Dilution adjustments	(0.10)	(0.02)	(0.04)
Total direct transaction costs	0.07	0.00	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.02	0.00
Operating charges	1.30	1.34	1.40
Return after charges	+0.11	+29.40	+4.36
Other information			
Closing NAV (\$'000)	271,086	342,607	281,449
Number of shares	40,194,436	42,289,266	46,040,094
Highest share price (UK p)	620.80	595.09	487.00
Lowest share price (UK p)	534.43	447.88	361.19

Sterling Class 'A' Accumulation share performance

The share class was launched on 19 December 1967.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,230.67	951.04	911.27
Return before operating charges	17.26	294.08	52.39
Operating charges	(15.90)	(14.45)	(12.62)
Return after operating charges	1.36	279.63	39.77
Distributions	0.00	0.00	0.00
Retained distributions	0.00	0.00	0.00
Closing NAV	1,232.03	1,230.67	951.04
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.36	0.03	0.13
Dilution adjustments	(0.21)	(0.03)	(0.09)
Total direct transaction costs	0.15	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.02	0.00
Operating charges	1.30	1.34	1.40
Return after charges	+0.11	+29.40	+4.36
Other information			
Closing NAV (\$'000)	133,918	181,985	164,681
Number of shares	9,357,553	10,739,691	13,016,075
Highest share price (UK p)	1,298.49	1,231.67	995.67
Lowest share price (UK p)	1,117.85	926.99	738.45

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,901.89	2,256.05	2,177.47
Return before operating charges	40.69	699.53	125.68
Operating charges	(25.90)	(23.10)	(19.36)
Return after operating charges	14.79	676.43	106.32
Distributions	(41.58)	(30.59)	(27.74)
Closing NAV	2,875.10	2,901.89	2,256.05
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.84	0.07	0.32
Dilution adjustments	(0.50)	(0.07)	(0.21)
Total direct transaction costs	0.34	0.00	0.11
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.02	0.00
Operating charges	0.90	0.90	0.90
Return after charges	+0.51	+29.98	+4.88
Other information			
Closing NAV (\$'000)	40,031	48,796	37,211
Number of shares	1,198,645	1,221,239	1,239,831
Highest share price (UK p)	3,064.26	2,934.66	2,384.77
Lowest share price (UK p)	2,644.19	2,200.83	1,769.48

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	3,284.95	2,527.16	2,409.49
Return before operating charges	46.03	783.67	139.18
Operating charges	(29.20)	(25.88)	(21.51)
Return after operating charges	16.83	757.79	117.67
Distributions	(14.28)	(8.66)	(10.16)
Retained distributions	14.28	8.66	10.16
Closing NAV	3,301.78	3,284.95	2,527.16
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.94	0.08	0.36
Dilution adjustments	(0.56)	(0.08)	(0.23)
Total direct transaction costs	0.38	0.00	0.13
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.02	0.00
Operating charges	0.90	0.90	0.90
Return after charges	+0.51	+29.99	+4.88
Other information			
Closing NAV (\$'000)	297,119	279,198	219,590
Number of shares	7,746,859	6,172,774	6,531,513
Highest share price (UK p)	3,468.86	3,287.38	2,638.91
Lowest share price (UK p)	2,993.31	2,465.35	1,958.05

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 2 September 2021.

for the year to 31 August Change in NAV per share	2022 UK p
Opening NAV	100.00
Return before operating charges	1.71
Operating charges	(0.60)
Return after operating charges	1.11
Distributions	(1.41)
Closing NAV	99.70
Direct transaction costs	UK p
Costs before dilution adjustments	0.03
Dilution adjustments	(0.02)
Total direct transaction costs	0.01
Performance and charges	%
Direct portfolio transaction costs	0.03
Operating charges	0.60
Return after charges	+1.11
Other information	
Closing NAV (\$'000)	70
Number of shares	60,020
Highest share price (UK p)	105.97
Lowest share price (UK p)	91.60

Sterling Class 'PP' Accumulation share performance

The share class was launched on 2 September 2021.

for the year to 31 August Change in NAV per share	2022 UK p
Opening NAV	100.00
Return before operating charges	1.67
Operating charges	(0.57)
Return after operating charges	1.10
Distributions	(0.74)
Retained distributions	0.74
Closing NAV	101.10
Direct transaction costs	UK p
Costs before dilution adjustments	0.03
Dilution adjustments	(0.02)
Total direct transaction costs	0.01
Performance and charges	%
Direct portfolio transaction costs	0.03
Operating charges	0.60
Return after charges	+1.10
Other information	
Closing NAV (\$'000)	116
Number of shares	98,787
Highest share price (UK p)	105.97
Lowest share price (UK p)	91.60

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	286.56	223.34	216.10
Return before operating charges	4.02	69.15	12.45
Operating charges	(3.28)	(2.91)	(2.46)
Return after operating charges	0.74	66.24	9.99
Distributions	(4.10)	(3.02)	(2.75)
Closing NAV	283.20	286.56	223.34
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.01	0.03
Dilution adjustments	(0.05)	(0.01)	(0.02)
Total direct transaction costs	0.03	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.02	0.00
Operating charges	1.15	1.15	1.15
Return after charges	+0.26	+29.66	+4.62
Other information			
Closing NAV (\$'000)	3,564	4,836	4,107
Number of shares	1,083,301	1,225,646	1,382,346
Highest share price (UK p)	302.43	289.80	236.40
Lowest share price (UK p)	260.59	217.79	175.36

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	321.07	247.63	236.69
Return before operating charges	4.50	76.68	13.63
Operating charges	(3.66)	(3.24)	(2.69)
Return after operating charges	0.84	73.44	10.94
Distributions	(0.50)	(0.15)	(0.44)
Retained distributions	0.50	0.15	0.44
Closing NAV	321.91	321.07	247.63
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.01	0.03
Dilution adjustments	(0.06)	(0.01)	(0.02)
Total direct transaction costs	0.03	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.02	0.00
Operating charges	1.15	1.15	1.15
Return after charges	+0.26	+29.66	+4.62
Other information			
Closing NAV (\$'000)	19,425	22,121	16,143
Number of shares	5,194,945	5,003,726	4,900,020
Highest share price (UK p)	338.87	321.33	258.92
Lowest share price (UK p)	291.98	241.47	192.07

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	588.34	459.47	445.69
Return before operating charges	(31.37)	142.07	25.62
Operating charges	(6.28)	(6.99)	(6.18)
Return after operating charges	(37.65)	135.08	19.44
Distributions	n/a	(6.21)	(5.66)
NAV of in specie transfer	(550.69)	n/a	n/a
Closing NAV	0.00	588.34	459.47
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.14	0.02	0.07
Dilution adjustments	(0.08)	(0.02)	(0.04)
Total direct transaction costs	0.06	0.00	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.02	0.00
Operating charges	1.30	1.34	1.40
Return after charges	-6.40	+29.40	+4.36
Other information			
Closing NAV (\$'000)	0	9,846	7,887
Number of shares	0	1,215,490	1,290,306
Highest share price (UK p)	620.74	595.04	486.96
Lowest share price (UK p)	534.39	447.84	361.17

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	1,220.33	943.05	903.62
Return before operating charges	(65.04)	291.62	51.95
Operating charges	(13.03)	(14.34)	(12.52)
Return after operating charges	(78.07)	277.28	39.43
Distributions	n/a	0.00	0.00
Retained distributions	n/a	0.00	0.00
NAV of in specie transfer	(1,142.26)	n/a	n/a
Closing NAV	0.00	1,220.33	943.05
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.29	0.03	0.13
Dilution adjustments	(0.17)	(0.03)	(0.09)
Total direct transaction costs	0.12	0.00	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.02	0.00
Operating charges	1.30	1.34	1.40
Return after charges	-6.40	+29.40	+4.36
Other information			
Closing NAV (\$'000)	0	6,904	5,795
Number of shares	0	410,880	461,928
Highest share price (UK p)	1,287.58	1,221.32	987.31
Lowest share price (UK p)	1,108.46	919.20	732.24

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2022		2021	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		(137,601)		239,304
Revenue	5	12,017		10,873	
Expenses	6	(9,528)		(9,576)	
Interest payable and similar charges		(9)		(13)	
Net revenue/(expense) before taxation		2,480		1,284	
Taxation	7	(1,213)		(1,567)	
Net revenue/(expense) after taxation			1,267		(283)
Total return before distributions			(136,334)		239,021
Distributions	8		(5,816)		(5,021)
Change in net assets attributable to shareholders from investment activities			(142,150)		234,000

Statement of change in net assets attributable to shareholders

for the year to 31 August	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		896,293		736,863
Amounts received on issue of shares	115,693		79,415	
Amounts paid on cancellation of shares	(106,025)		(154,899)	
		9,668		(75,484)
Dilution adjustments		198		159
Change in net assets attributable to shareholders from investment activities (see above)		(142,150)		234,000
Retained distributions on Accumulation shares		1,316		746
Unclaimed distributions		4		9
Closing net assets attributable to shareholders		765,329		896,293

Interest payable and similar charges of \$9,000 (2021: \$13,000) has been reclassified from 'Expenses' within the statement of total return.

Financial statements and notes

Financial statements

Balance sheet

as at 31 August	Note	2022 \$'000	2021 \$'000
Assets			
Fixed assets			
Investments		753,167	878,336
Current assets			
Debtors	9	2,184	3,030
Cash and bank balances	10	154	1,543
Cash equivalents		18,061	21,463
Total assets		773,566	904,372
Liabilities			
Creditors			
Bank overdrafts		(149)	0
Distribution payable		(4,559)	(4,288)
Other creditors	11	(3,111)	(3,311)
Deferred tax provision	7	(418)	(480)
Total liabilities		(8,237)	(8,079)
Net assets attributable to shareholders		765,329	896,293

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2022 \$'000	2021 \$'000
Non-derivative securities	(137,297)	239,206
Currency gains/(losses)	(304)	98
Net capital gains/(losses)	(137,601)	239,304

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

Financial statements and notes

for the year to 31 August	2022 \$'000	% of transaction	2021 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	89,808		7,599	
Commissions	24	0.03	3	0.04
Taxes	197	0.22	0	0.00
Total purchases after transaction costs	90,029		7,602	
b) Sales				
Equities				
Equities before transaction costs	77,847		90,173	
Commissions	(20)	0.03	(17)	0.02
Taxes	(3)	0.00	(4)	0.00
Total sales after transaction costs	77,824		90,152	
	2022 \$'000	% of average NAV	2021 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	44	0.01	20	0.00
Taxes paid				
Equities	200	0.02	4	0.00
Total direct portfolio transaction costs	244	0.03	24	0.00
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.08		0.05

5 Revenue

for the year to 31 August	2022 \$'000	2021 \$'000
Dividends from equity investments: non-taxable	11,662	10,685
Dividends from equity investments: taxable	206	163
Interest distributions	135	14
Rebate of ongoing charges from underlying funds	14	11
Total revenue	12,017	10,873

Financial statements and notes

6 Expenses

for the year to 31 August	2022 \$'000	2021 \$'000
Payable to the ACD or associate		
Annual charge	9,528	9,576
Total expenses	9,528	9,576

Audit fees for the financial year ending 2022 were £11,000 (2021: £10,000) (including VAT), which are covered by the annual charge. Interest payable and similar charges of \$9,000 (2021: \$13,000) has been reclassified from 'Expenses' within the statement of total return.

7 Taxation

for the year to 31 August	2022 \$'000	2021 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	1,275	1,067
Capital gains tax (India)	0	20
Deferred tax provision on capital gains tax (India) (note 7c)	(62)	480
Total taxation	1,213	1,567
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	2,480	1,284
Corporation tax at 20%	496	257
Effects of:		
Dividends from equity investments: non-taxable	(2,332)	(2,137)
Current year expenses not utilised	1,836	1,880
Withholding tax	1,275	1,067
Capital gains tax (India)	(62)	500
Total tax charge (note 7a)	1,213	1,567
c) Provision for deferred taxation		
Provision at the start of the year	480	0
Deferred tax in profit and loss account (note 7a)	(62)	480
Provision at the end of the year	418	480

The fund has not recognised a deferred tax asset of \$37,269,000 (2021: \$35,433,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 31 August	2022		2021	
	Inc \$'000	Acc \$'000	Inc \$'000	Acc \$'000
Dividend distributions				
Final	4,559	1,316	4,288	746
Total net distributions		5,875		5,034
Income deducted on cancellation of shares		274		422
Income received on issue of shares		(333)		(435)
Distributions		5,816		5,021
Net revenue/(expense) per statement of total return		1,267		(283)
Expenses offset against capital		4,599		4,579
Capital gains tax offset against capital		(62)		500
Income deficit transferred to capital		12		225
Distributions		5,816		5,021

9 Debtors

as at 31 August	2022 \$'000	2021 \$'000
Amounts receivable on issues of shares	90	487
Currency deals outstanding	49	0
Distributions receivable	47	1
Dividends receivable	725	617
Rebate of ongoing charges from underlying funds	0	1
Withholding tax recoverable	1,273	1,924
Total debtors	2,184	3,030

10 Cash and bank balances

as at 31 August	2022 \$'000	2021 \$'000
Cash held as bank balances	154	1,543
Total cash and bank balances	154	1,543

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11 Other creditors

as at 31 August	2022 \$'000	2021 \$'000
Amounts payable on cancellation of shares	2,808	2,586
Annual charge payable	220	616
Currency deals outstanding	49	0
Payable to M&G (Lux) Global Sustain Paris Aligned Fund	34	109
Total other creditors	3,111	3,311

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2021: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.09.21	Issued	Movements Cancelled	Converted	Closing 31.08.22
Sterling					
Class 'A' Income	42,289,266	221,519	(3,456,458)	1,140,109	40,194,436
Class 'A' Accumulation	10,739,691	543,324	(2,263,132)	337,670	9,357,553
Class 'I' Income	1,221,239	136,679	(159,273)	0	1,198,645
Class 'I' Accumulation	6,172,774	2,385,963	(811,878)	0	7,746,859
Class 'PP' Income	0	65,030	(5,010)	0	60,020
Class 'PP' Accumulation	0	105,104	(6,317)	0	98,787
Class 'R' Income	1,225,646	79,664	(222,009)	0	1,083,301
Class 'R' Accumulation	5,003,726	597,188	(405,969)	0	5,194,945
Class 'X' Income	1,215,490	13,316	(88,615)	(1,140,191)	0
Class 'X' Accumulation	410,880	10,638	(80,987)	(340,531)	0

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

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14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge %
Sterling	
Class 'A'	1.30
Class 'I'	0.90
Class 'PP'	Up to 0.90
Class 'R'	1.15
Class 'X'	1.30

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 40.07% (2021: 40.81%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

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Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 August	Assets 2022 \$'000	Liabilities 2022 \$'000	Assets 2021 \$'000	Liabilities 2021 \$'000
Basis of valuation				
Level 1	753,167	0	878,336	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	753,167	0	878,336	0

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$37,658,000 (2021: \$43,917,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$15,926,000 (2021: \$18,806,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2022 \$'000	2021 \$'000
Currency exposure in respect of the fund		
Danish krone	64,347	88,540
Euro	64,531	86,850
Hong Kong dollar	15,017	22,077
Indian rupee	17,544	18,708
Japanese yen	24,380	21,233
Sterling	89,177	80,792
Swiss franc	43,518	57,912
US dollar	446,815	520,181
Total	765,329	896,293

20 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

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21 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

22 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.21	31.08.22	01.09.22	31.10.22

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2022	2021
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	6.1220	2.2899	8.4119	6.2144

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2022	2021
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	0.0000	0.0000	0.0000	0.0000

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Group 2		Group 1 & 2 Distribution	
	Income	Equalisation	2022	2021
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	22.4579	19.1190	41.5769	30.5854

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Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	8.6761	5.6015	14.2776	8.6585

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	0.1553	1.2520	1.4073	n/a

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	0.2370	0.5070	0.7440	n/a

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	2.7668	1.3333	4.1001	3.0239

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	0.5041	0.0000	0.5041	0.1515

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	n/a	n/a	n/a	6.2139

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Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	n/a	n/a	n/a	0.0000

23 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

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For the purposes of these financial statements, the prospectus dated 29 July 2022 has been used.

Investment objective

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

Investment policy

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

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

Derivatives may be used for efficient portfolio management.

Investment approach

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

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

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

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

Benchmark

Benchmark: MSCI ACWI Index.

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

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

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

Risk profile

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



The above number:

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

Investment review

For the year ended 31 August 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 31 August 2022, the fund delivered a positive total return (the combination of income and

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growth of capital) in sterling and euros, and a negative return in US dollars, but all share classes outperformed the MSCI ACWI Index which returned 0.0% in sterling, -0.8% in euros and -15.5% in US dollars. Consequently, over this 12-month review period, the fund met its objective of providing a higher total return than that of the MSCI ACWI Index, which was introduced on 17 November 2017.

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

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

Performance review

Higher volatility was the key feature of global stockmarkets during the 12 months under review. The MSCI ACWI Index reached an all-time high in November before reversing gains as concerns about inflation were compounded by geopolitical risk arising from Russia's military intervention in Ukraine. Emerging markets, Asia and Europe led the declines, with the US providing some resilience.

Energy was the standout performer as oil and gas prices surged. Defensive stocks benefited from a flight to quality in an environment of heightened uncertainty. Utilities, consumer staples and healthcare outperformed. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) Financials outperformed among the more economically sensitive areas of the market, helped by the strength of banks in Asia and emerging markets. Materials and industrials underperformed. Technology, the largest sector represented in the MSCI ACWI Index, was another

notable laggard as Apple's gain in hardware was counterbalanced by the declines in software and semiconductors. Communication services led the detractors as shares of Meta Platforms, the company formerly known as Facebook, halved.

Against this backdrop, the fund outperformed its benchmark, the MSCI ACWI Index. Sector allocation added value, helped by an overweight in energy and utilities.

PrairieSky Royalty, Cheniere Energy and ONEOK led the list of positive contributors in a buoyant energy sector. PrairieSky, the fund's largest holding, returned more than 30% in local currency as the Canadian company, which receives royalties from oil & gas bearing lands, benefited from a favourable backdrop, as well as a transformational, highly accretive acquisition. Shares of Cheniere, a leading provider of liquefied natural gas (LNG), a key transition fuel to address climate change, rose more than 80% in US dollars. ONEOK, an infrastructure company that owns and operates pipelines and processing facilities to enable the smooth functioning of the global economy, returned more than 20% in US dollars.

Acciona Energia led the gains in utilities as a beneficiary of the structural growth trend in renewables, while Republic Services, a leading provider of waste management and recycling services in the US, also rose.

Stock selection added value in healthcare as CVS Health and Elevance Health outperformed. Both companies reported better-than-expected results throughout the course of the year and remain well placed to provide long-term solutions for the demographic changes taking place in an ageing society.

Garmin underperformed in consumer discretionary as the shares retreated from their peak. The world leader in GPS navigation and wearable technology is a long-term beneficiary of the growth in the outdoor and fitness markets, in our view, driven by the structural trend towards active lifestyles. Infineon Technologies and Intel declined, in keeping with the weakness in

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semiconductor stocks. The long-term investment case for these companies remains intact and they remain core holdings.

Not owning Apple provided the biggest drag on performance relative to the MSCI ACWI Index as the technology bellwether generated a positive return in a falling market. The stock remains highly valued and we see growth opportunities that are more attractively priced elsewhere. We remain true to our mantra of 'themes grounded in reality'.

Investment activities

We made five new purchases and exited four positions during the 12-month review period, a level of turnover consistent with our long-term investment horizon of three to five years.

We took advantage of the abrupt reversal in growth stocks to establish a new holding in Alphabet. The owner of Google is cash generative and the valuation was undemanding in our view, after its sentiment-driven weakness. Alphabet increases exposure to the new economy and adds portfolio protection during growth rallies.

We also bought Hannover Re and Magna International during the market downturn. Hannover Re provides a less obvious exposure to the theme of climate change in contrast to the renewables and energy transition stories more commonplace in thematic investing. The reinsurer acts as a climate change hedge, given the increasing incidence of weather-related events and the need to insure against environmental catastrophes. Magna has a strong core business as a components supplier for the automotive industry, but its major appeal lies in the option value from the explosive growth in new technologies, including electric vehicles and autonomous driving. The new holding adds another dimension to the theme of the changing face of mobility.

Lululemon Athletica and Alexandria Real Estate were the final purchases during the review period.

We invested in Lululemon in the belief that the company is at the early stages of a long-term growth

trajectory, driven by the development of Lululemon as a global brand for active lifestyles. The stark and indiscriminate selloff in the consumer discretionary sector provided an attractive entry point. The new purchase has already proved timely as the company reported better-than-expected results and raised its outlook for the full year. We initiated a new holding in Alexandria Real Estate after a positive meeting with the company's management. The US real estate investment trust (REIT) provides exposure to life science infrastructure – the critical assets behind the research and development of drugs to address society's ongoing medical needs.

We also gained a new holding in JD.com, China's largest online retailer, following its spinoff from Tencent. We did not have conviction to build a full position and the holding was divested. We took a similar course of action with Embecta, which was spun off from Becton Dickinson.

CoreSite, Ferrovial, KBC and Epiroc were the four stocks that left the portfolio. We tendered our shares in CoreSite, the data centre company, to a successful takeover. The shares returned more than 100% since our initial purchase in January 2019. Ferrovial, the owner and operator of toll roads and airports, was sold as a source of cash. We retain exposure to similar infrastructure assets with our remaining holding in Vinci. KBC (financials) and Epiroc (industrials) also provided a source of cash for better ideas.

The number of holdings increased to 62, with the number of active investments at 61. We expect the number to range between 40 and 60 over the long term.

Outlook

Hawkish comments from Federal Reserve Chairman Jerome Powell have done little to quell concerns about the path of the global economy. Higher interest rates, persistent inflation, and their knock-on effects on consumer spending have led many to believe that a recession is imminent. These challenges require careful consideration, but it is also important to distinguish between the economy and the discounting mechanism

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that the financial markets provide. We strongly believe that the increased volatility in the stockmarket is presenting buying opportunities for investors with a long-term time horizon. We are resolutely focused on the multi-decade trends that underpin our thematic approach and remain active in our quest for new ideas.

We are undeterred in our belief that the fund's chosen themes – from the road to zero carbon to cloud and connectivity – will persist for many years to come and that the beneficiaries of these powerful trends can generate profitable growth for a variety of stakeholders, including employees, customers, shareholders and the broader society.

The ability to generate cashflow is absolutely critical in our company analysis. We are not investing in hope alone. History is littered with examples of blue sky concepts which never turned a profit, and companies of this ilk which commanded exorbitant multiples in the past are now seeing their unrealistic expectations reined in. Fundamentals and value are the key determinants of long-term return, in our view.

The savage decrease in the valuation of growth in the current market environment underscores the importance of valuation. Valuation is a crucial aspect of our stock selection process and we believe that the opportunities presented by the current market downturn will sow the seeds for future performance. Being selective will be paramount. We remain as optimistic as ever about the long-term prospects of the companies we are invested in and remain committed to our investment mantra: themes grounded in reality.

Alex Araujo

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities	2,760,399	98.93	98.19
United Kingdom	93,664	3.36	3.53
220,365 AstraZeneca	27,282	0.98	
1,071,671 Unilever	48,736	1.75	
1,427,766 UNITE REIT	17,646	0.63	
Austria	40,872	1.46	1.38
1,808,196 Erste Group Bank	40,872	1.46	
Belgium	0	0.00	1.52
Denmark	26,743	0.96	1.08
271,299 Ørsted	26,743	0.96	
Finland	42,637	1.53	1.67
8,652,103 Nokia	42,637	1.53	
France	84,243	3.02	3.02
121,699 L'Oréal	41,852	1.50	
458,929 Vinci	42,391	1.52	
Germany	225,031	8.06	5.67
395,503 Hannover Rueck	58,099	2.08	
2,907,753 Infineon Technologies	72,559	2.60	
541,625 Siemens	55,187	1.98	
2,637,133 Siemens Energy	39,186	1.40	
Italy	27,636	0.99	1.00
5,833,702 Enel	27,636	0.99	
Netherlands	41,312	1.48	1.01
248,464 NXP Semiconductors	41,312	1.48	
Spain	56,130	2.01	3.33
1,335,360 Acciona Energias Renovables	56,130	2.01	
Sweden	0	0.00	0.93
Switzerland	98,975	3.55	4.26
489,174 Garmin	43,812	1.57	
171,003 Roche	55,163	1.98	
United States	1,161,834	41.64	43.67
218,843 Air Products & Chemicals	56,099	2.01	
106,421 Alexandria Real Estate Equities REIT	16,410	0.59	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
United States (continued)			
755,584 Alphabet	82,487	2.96	
108,993 American Tower REIT	27,671	0.99	
186,232 American Water Works	28,057	1.01	
221,101 Becton Dickinson	56,024	2.01	
576,420 Bristol-Myers Squibb	38,781	1.39	
180,536 Cheniere Energy	28,839	1.03	
1,446,161 Comcast	51,838	1.86	
324,880 Crown Castle International REIT	55,359	1.98	
1,317,647 CSX	41,789	1.50	
424,768 CVS Health	42,062	1.51	
60,049 Elevance Health	29,339	1.05	
42,556 Equinix REIT	27,951	1.00	
365,964 First Republic Bank	56,139	2.01	
2,034,464 Intel	65,937	2.36	
243,101 Johnson & Johnson	39,498	1.42	
121,081 LabCorp	27,643	0.99	
82,336 Martin Marietta Materials	28,490	1.02	
363,176 Microsoft	95,799	3.43	
116,392 Motorola Solutions	28,587	1.02	
318,520 NextEra Energy	27,350	0.98	
883,450 ONEOK	55,814	2.00	
165,998 PepsiCo	28,770	1.03	
195,247 Republic Services	28,146	1.01	
139,530 Visa	28,148	1.01	
247,696 Walt Disney	27,920	1.00	
1,200,353 Weyerhaeuser REIT	40,887	1.47	
Canada	459,276	16.46	10.82
920,984 Brookfield Asset Management	44,851	1.61	
673,392 Franco-Nevada	82,205	2.95	
230,686 Lululemon Athletica	71,038	2.55	
1,260,318 Magna International	74,089	2.65	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Canada (continued)			
3,158,669 Manulife Financial	55,245	1.98	
9,582,301 PrairieSky Royalty	131,848	4.72	
Japan	89,649	3.21	3.95
195,800 Shimano	34,791	1.25	
3,638,700 Toyota Motor	54,858	1.96	
Australia	54,026	1.94	2.57
326,423 Erinbar ^a	0	0.00	
25,918,437 Starpharma	11,097	0.40	
4,488,943 Transurban	42,929	1.54	
China	26,692	0.96	1.07
19,923,000 Weichai Power	26,692	0.96	
Hong Kong	151,995	5.45	4.81
5,446,568 AIA	52,662	1.89	
33,656,000 Kunlun Energy	29,248	1.05	
1,686,200 Tencent	70,085	2.51	
Singapore	29,417	1.05	0.98
1,262,278 DBS	29,417	1.05	
South Korea	50,267	1.80	1.92
1,128,107 Samsung Electronics	50,267	1.80	
Total portfolio	2,760,399	98.93	98.19
Net other assets/(liabilities)	29,857	1.07	1.81
Net assets attributable to shareholders	2,790,256	100.00	100.00

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

^a Unlisted/unquoted.

Portfolio statement

Top ten portfolio transactions for the year to 31 August 2022

Largest purchases	\$'000
Alphabet	99,287
Magna International	84,455
Hannover Rueck	75,835
Lululemon Athletica	64,556
Franco-Nevada	41,629
Infineon Technologies	37,552
Tencent	33,691
Intel	32,898
PrairieSky Royalty	30,440
Comcast	27,521
Other purchases	507,320
Total purchases	1,035,184

Largest sales	\$'000
PrairieSky Royalty	85,724
CoreSite Realty REIT	59,280
CVS Health	54,705
Cheniere Energy	54,525
Republic Services	49,305
KBC	48,623
Ferrovial	47,900
Franco-Nevada	41,220
Elevance Health	35,958
Weyerhaeuser REIT	33,091
Other sales	570,459
Total sales	1,080,790

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

Financial highlights

Fund performance

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

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at www.mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

On 24 June 2022, the Sterling Class 'X' Income and Sterling Class 'X' Accumulation shares were merged into the equivalent Sterling Class 'A' Income and Sterling Class 'A' Accumulation shares.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Euro				
Class 'A' Income	+3.1	+12.2	+10.9	n/a
Class 'A' Accumulation	+3.1	+12.2	+10.9	+7.9
Class 'C' Income	+4.2	+13.3	+12.0	n/a
Class 'C' Accumulation	+4.2	+13.3	+12.0	+9.0
Benchmark (EUR)^b	-0.8	+11.9	+11.2	+10.8
Sterling				
Class 'A' Income	+3.7	+10.8	+9.8	+9.2
Class 'A' Accumulation	+3.7	+10.8	+9.8	+9.2
Class 'I' Income	+4.1	+11.3	+10.5	+9.9
Class 'I' Accumulation	+4.1	+11.3	+10.5	+9.9
Class 'PP' Income	+4.4	+11.6	n/a	n/a
Class 'PP' Accumulation	+4.3	+11.6	n/a	n/a
Class 'R' Income	+3.9	+11.1	+10.2	+9.6
Class 'R' Accumulation	+3.9	+11.1	+10.2	+9.6
Class 'X' Income	-2.6	+9.1	+8.8	+8.6
Class 'X' Accumulation	-2.6	+9.1	+8.8	+8.6
Benchmark (GBP)^b	0.0	+10.2	+9.8	+11.8
US dollar				
Class 'A' Accumulation	-13.0	+8.5	+7.1	+5.5
Benchmark (USD)^b	-15.5	+8.5	+7.6	+8.3

^a Not annualised.

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

Financial highlights

Specific share class performance

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

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Euro Class 'A' Income share performance

The share class was launched on 12 July 2013.

for the year to 31 August Change in NAV per share	2022 Euro ¢	2021 Euro ¢	2020 Euro ¢
Opening NAV	4,442.19	3,413.00	3,355.12
Return before operating charges	211.22	1,172.60	187.73
Operating charges	(84.96)	(73.31)	(63.38)
Return after operating charges	126.26	1,099.29	124.35
Distributions	(94.76)	(70.10)	(66.47)
Closing NAV	4,473.69	4,442.19	3,413.00
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.61	1.75	1.32
Dilution adjustments	(0.23)	(0.58)	(0.54)
Total direct transaction costs	1.38	1.17	0.78
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	1.86	1.86	1.86
Return after charges	+2.84	+32.21	+3.71
Other information			
Closing NAV (\$'000)	5,526	5,817	6,579
Number of shares	123,773	110,647	161,938
Highest share price (Euro ¢)	4,791.79	4,526.78	3,871.78
Lowest share price (Euro ¢)	4,234.52	3,281.37	2,601.16

Euro Class 'A' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2022 Euro ¢	2021 Euro ¢	2020 Euro ¢
Opening NAV	4,908.76	3,713.22	3,580.57
Return before operating charges	233.11	1,276.08	200.26
Operating charges	(93.86)	(80.54)	(67.61)
Return after operating charges	139.25	1,195.54	132.65
Distributions	(2.32)	0.00	(7.71)
Retained distributions	2.32	0.00	7.71
Closing NAV	5,048.01	4,908.76	3,713.22
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.78	1.93	1.41
Dilution adjustments	(0.25)	(0.64)	(0.57)
Total direct transaction costs	1.53	1.29	0.84
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	1.86	1.86	1.86
Return after charges	+2.84	+32.20	+3.70
Other information			
Closing NAV (\$'000)	1,771,256	2,084,155	1,732,940
Number of shares	35,160,310	35,876,406	39,204,905
Highest share price (Euro ¢)	5,294.80	4,924.51	4,131.89
Lowest share price (Euro ¢)	4,679.03	3,569.67	2,775.91

Financial highlights

Euro Class 'C' Income share performance

The share class was launched on 8 August 2014.

for the year to 31 August Change in NAV per share	2022 Euro ¢	2021 Euro ¢	2020 Euro ¢
Opening NAV	5,234.80	3,981.39	3,874.79
Return before operating charges	249.49	1,375.87	217.75
Operating charges	(46.50)	(40.26)	(33.99)
Return after operating charges	202.99	1,335.61	183.76
Distributions	(112.77)	(82.20)	(77.16)
Closing NAV	5,325.02	5,234.80	3,981.39
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	1.91	2.08	1.54
Dilution adjustments	(0.27)	(0.69)	(0.62)
Total direct transaction costs	1.64	1.39	0.92
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	0.86	0.86	0.86
Return after charges	+3.88	+33.55	+4.74
Other information			
Closing NAV (\$'000)	1,812	1,995	1,536
Number of shares	34,105	32,205	32,405
Highest share price (Euro ¢)	5,701.24	5,331.30	4,492.38
Lowest share price (Euro ¢)	5,030.64	3,830.79	3,021.05

Euro Class 'C' Accumulation share performance

The share class was launched on 28 November 2001.

for the year to 31 August Change in NAV per share	2022 Euro ¢	2021 Euro ¢	2020 Euro ¢
Opening NAV	5,939.35	4,447.84	4,246.28
Return before operating charges	282.74	1,525.63	238.94
Operating charges	(52.76)	(34.12)	(37.38)
Return after operating charges	229.98	1,491.51	201.56
Distributions	(70.13)	(46.39)	(49.70)
Retained distributions	70.13	46.39	49.70
Closing NAV	6,169.33	5,939.35	4,447.84
Direct transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	2.16	1.76	1.69
Dilution adjustments	(0.30)	(0.58)	(0.69)
Total direct transaction costs	1.86	1.18	1.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	0.86	0.86	0.86
Return after charges	+3.87	+33.53	+4.75
Other information			
Closing NAV (\$'000)	6,715	7,593	184,696
Number of shares	109,064	108,022	3,488,303
Highest share price (Euro ¢)	6,468.22	5,955.32	4,923.28
Lowest share price (Euro ¢)	5,707.42	4,279.18	3,310.84

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 28 February 1973.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	1,259.79	1,002.02	993.10
Return before operating charges	59.09	292.57	41.69
Operating charges	(16.03)	(14.98)	(13.30)
Return after operating charges	43.06	277.59	28.39
Distributions	(26.78)	(19.82)	(19.47)
Closing NAV	1,276.07	1,259.79	1,002.02
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.45	0.51	0.38
Dilution adjustments	(0.06)	(0.17)	(0.15)
Total direct transaction costs	0.39	0.34	0.23
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	1.26	1.31	1.36
Return after charges	+3.42	+27.70	+2.86
Other information			
Closing NAV (\$'000)	180,899	167,319	149,845
Number of shares	12,204,358	9,645,880	11,240,858
Highest share price (UK p)	1,340.14	1,278.78	1,060.73
Lowest share price (UK p)	1,188.13	977.16	790.66

Sterling Class 'A' Accumulation share performance

The share class was launched on 28 February 1973.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,105.14	1,648.62	1,602.82
Return before operating charges	98.65	481.19	67.25
Operating charges	(26.83)	(24.67)	(21.45)
Return after operating charges	71.82	456.52	45.80
Distributions	(14.75)	(8.18)	(10.94)
Retained distributions	14.75	8.18	10.94
Closing NAV	2,176.96	2,105.14	1,648.62
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.75	0.84	0.61
Dilution adjustments	(0.11)	(0.28)	(0.25)
Total direct transaction costs	0.64	0.56	0.36
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	1.26	1.30	1.36
Return after charges	+3.41	+27.69	+2.86
Other information			
Closing NAV (\$'000)	362,310	355,260	291,237
Number of shares	14,327,902	12,256,391	13,278,877
Highest share price (UK p)	2,239.29	2,103.76	1,711.95
Lowest share price (UK p)	1,985.28	1,607.56	1,276.07

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,160.97	1,711.05	1,687.32
Return before operating charges	101.70	500.79	71.21
Operating charges	(18.92)	(16.94)	(14.32)
Return after operating charges	82.78	483.85	56.89
Distributions	(46.75)	(33.93)	(33.16)
Closing NAV	2,197.00	2,160.97	1,711.05
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.78	0.88	0.65
Dilution adjustments	(0.11)	(0.29)	(0.26)
Total direct transaction costs	0.67	0.59	0.39
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	0.86	0.86	0.86
Return after charges	+3.83	+28.28	+3.37
Other information			
Closing NAV (\$'000)	58,986	72,505	60,292
Number of shares	2,311,341	2,436,770	2,648,682
Highest share price (UK p)	2,307.64	2,193.46	1,806.51
Lowest share price (UK p)	2,042.01	1,670.01	1,347.16

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,492.60	1,943.31	1,879.96
Return before operating charges	117.12	568.53	79.31
Operating charges	(21.75)	(19.24)	(15.96)
Return after operating charges	95.37	549.29	63.35
Distributions	(29.17)	(19.47)	(21.71)
Retained distributions	29.17	19.47	21.71
Closing NAV	2,587.97	2,492.60	1,943.31
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.89	1.00	0.72
Dilution adjustments	(0.12)	(0.33)	(0.29)
Total direct transaction costs	0.77	0.67	0.43
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	0.86	0.86	0.86
Return after charges	+3.83	+28.27	+3.37
Other information			
Closing NAV (\$'000)	344,826	369,113	297,667
Number of shares	11,470,538	10,754,838	11,513,938
Highest share price (UK p)	2,661.63	2,490.96	2,012.73
Lowest share price (UK p)	2,355.25	1,896.51	1,500.94

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	128.77	101.76	100.15
Return before operating charges	6.08	29.86	4.23
Operating charges	(0.86)	(0.83)	(0.65)
Return after operating charges	5.22	29.03	3.58
Distributions	(2.77)	(2.02)	(1.97)
Closing NAV	131.22	128.77	101.76
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.06	0.04
Dilution adjustments	(0.01)	(0.02)	(0.02)
Total direct transaction costs	0.04	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	0.66	0.66	0.66
Return after charges	+4.05	+28.53	+3.57
Other information			
Closing NAV (\$'000)	1,686	2,422	203
Number of shares	1,106,506	1,366,092	149,885
Highest share price (UK p)	137.78	130.71	107.33
Lowest share price (UK p)	121.81	99.35	80.05

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	148.73	115.72	111.72
Return before operating charges	7.00	33.90	4.73
Operating charges	(1.00)	(0.89)	(0.73)
Return after operating charges	6.00	33.01	4.00
Distributions	(2.06)	(1.42)	(1.50)
Retained distributions	2.06	1.42	1.50
Closing NAV	154.73	148.73	115.72
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.05	0.06	0.04
Dilution adjustments	(0.01)	(0.02)	(0.02)
Total direct transaction costs	0.04	0.04	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	0.66	0.66	0.66
Return after charges	+4.03	+28.53	+3.58
Other information			
Closing NAV (\$'000)	1,014	958	536
Number of shares	564,411	468,034	348,033
Highest share price (UK p)	159.12	148.63	119.72
Lowest share price (UK p)	140.66	112.97	89.30

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	213.54	169.51	167.58
Return before operating charges	10.04	49.56	7.05
Operating charges	(2.41)	(2.17)	(1.83)
Return after operating charges	7.63	47.39	5.22
Distributions	(4.62)	(3.36)	(3.29)
Closing NAV	216.55	213.54	169.51
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.09	0.06
Dilution adjustments	(0.01)	(0.03)	(0.03)
Total direct transaction costs	0.07	0.06	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	1.11	1.11	1.11
Return after charges	+3.57	+27.96	+3.11
Other information			
Closing NAV (\$'000)	5,062	6,159	4,738
Number of shares	2,012,246	2,094,676	2,101,303
Highest share price (UK p)	227.48	216.75	179.20
Lowest share price (UK p)	201.54	165.37	133.60

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	243.71	190.48	184.73
Return before operating charges	11.44	55.67	7.77
Operating charges	(2.75)	(2.44)	(2.02)
Return after operating charges	8.69	53.23	5.75
Distributions	(2.18)	(1.36)	(1.70)
Retained distributions	2.18	1.36	1.70
Closing NAV	252.40	243.71	190.48
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.09	0.10	0.07
Dilution adjustments	(0.01)	(0.03)	(0.03)
Total direct transaction costs	0.08	0.07	0.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	1.11	1.11	1.11
Return after charges	+3.57	+27.95	+3.11
Other information			
Closing NAV (\$'000)	25,701	29,568	22,124
Number of shares	8,765,926	8,811,115	8,730,287
Highest share price (UK p)	259.62	243.55	197.55
Lowest share price (UK p)	230.00	185.82	147.28

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	1,263.90	1,005.28	996.34
Return before operating charges	(20.19)	293.56	41.81
Operating charges	(13.36)	(15.05)	(13.34)
Return after operating charges	(33.55)	278.51	28.47
Distributions	n/a	(19.89)	(19.53)
NAV of in specie transfer	(1,230.35)	n/a	n/a
Closing NAV	0.00	1,263.90	1,005.28
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.37	0.51	0.38
Dilution adjustments	(0.05)	(0.17)	(0.15)
Total direct transaction costs	0.32	0.34	0.23
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	1.26	1.30	1.36
Return after charges	-2.65	+27.70	+2.86
Other information			
Closing NAV (\$'000)	0	55,735	45,963
Number of shares	0	3,202,676	3,436,769
Highest share price (UK p)	1,323.18	1,282.95	1,064.19
Lowest share price (UK p)	1,192.00	980.34	793.24

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	2,084.48	1,632.43	1,587.10
Return before operating charges	(33.42)	476.47	66.58
Operating charges	(22.02)	(24.42)	(21.25)
Return after operating charges	(55.44)	452.05	45.33
Distributions	n/a	(8.10)	(10.83)
Retained distributions	n/a	8.10	10.83
NAV of in specie transfer	(2,029.04)	n/a	n/a
Closing NAV	0.00	2,084.48	1,632.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.62	0.83	0.61
Dilution adjustments	(0.09)	(0.28)	(0.25)
Total direct transaction costs	0.53	0.55	0.36
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	1.26	1.30	1.36
Return after charges	-2.66	+27.69	+2.86
Other information			
Closing NAV (\$'000)	0	104,612	87,924
Number of shares	0	3,644,868	4,048,615
Highest share price (UK p)	2,182.13	2,083.11	1,695.14
Lowest share price (UK p)	1,965.80	1,591.78	1,263.54

Financial highlights

US dollar Class 'A' Accumulation share performance

The share class was launched on 9 March 2007.

for the year to 31 August	2022	2021	2020
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	2,060.07	1,567.50	1,401.98
Return before operating charges	(237.10)	526.92	192.33
Operating charges	(36.52)	(34.35)	(26.81)
Return after operating charges	(273.62)	492.57	165.52
Distributions	(0.65)	0.00	(3.21)
Retained distributions	0.65	0.00	3.21
Closing NAV	1,786.45	2,060.07	1,567.50
Direct transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.69	0.82	0.56
Dilution adjustments	(0.10)	(0.27)	(0.23)
Total direct transaction costs	0.59	0.55	0.33
Performance and charges	%	%	%
Direct portfolio transaction costs	0.03	0.03	0.02
Operating charges	1.86	1.86	1.86
Return after charges	-13.28	+31.42	+11.81
Other information			
Closing NAV (\$'000)	24,463	26,590	18,686
Number of shares	1,369,355	1,290,733	1,192,076
Highest share price (US ¢)	2,103.79	2,058.72	1,588.17
Lowest share price (US ¢)	1,730.45	1,473.79	1,053.89

Financial statements and notes

Financial statements

Statement of total return

for the year to 31 August	Note	2022		2021	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		(427,557)		845,739
Revenue	5	65,751		60,577	
Expenses	6	(48,963)		(49,133)	
Interest payable and similar charges		(45)		(46)	
Net revenue/(expense) before taxation		16,743		11,398	
Taxation	7	(8,120)		(6,131)	
Net revenue/(expense) after taxation			8,623		5,267
Total return before distributions			(418,934)		851,006
Distributions	8		(12,729)		(10,650)
Change in net assets attributable to shareholders from investment activities			(431,663)		840,356

Statement of change in net assets attributable to shareholders

for the year to 31 August	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		3,289,801		2,905,044
Amounts received on issue of shares	107,908		122,518	
Amounts paid on cancellation of shares	(183,555)		(583,795)	
		(75,647)		(461,277)
Dilution adjustments		281		761
Change in net assets attributable to shareholders from investment activities (see above)		(431,663)		840,356
Retained distributions on Accumulation shares		7,477		4,905
Unclaimed distributions		7		12
Closing net assets attributable to shareholders		2,790,256		3,289,801

Interest payable and similar charges of \$45,000 (2021: \$46,000) has been reclassified from 'Expenses' within the statement of total return.

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Balance sheet

as at 31 August	Note	2022 \$'000	2021 \$'000
Assets			
Fixed assets			
Investments		2,760,399	3,230,140
Current assets			
Debtors	9	8,536	7,495
Cash and bank balances	10	28,529	62,665
Total assets		2,797,464	3,300,300
Liabilities			
Creditors			
Distribution payable		(5,350)	(4,906)
Other creditors	11	(1,858)	(5,593)
Total liabilities		(7,208)	(10,499)
Net assets attributable to shareholders		2,790,256	3,289,801

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Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2022 \$'000	2021 \$'000
Non-derivative securities	(421,419)	845,040
Currency gains/(losses)	(6,138)	699
Net capital gains/(losses)	(427,557)	845,739

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

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for the year to 31 August	2022 \$'000	% of transaction	2021 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	1,033,911		754,584	
Commissions	360	0.03	261	0.03
Taxes	343	0.03	507	0.07
Equities after transaction costs	1,034,614		755,352	
Other transaction types				
Corporate actions	570		894	
Total purchases after transaction costs	1,035,184		756,246	
b) Sales				
Equities				
Equities before transaction costs	1,081,173		1,250,923	
Commissions	(350)	0.03	(444)	0.04
Taxes	(33)	0.00	(167)	0.01
Total sales after transaction costs	1,080,790		1,250,312	
	2022 \$'000	% of average NAV	2021 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	710	0.02	705	0.02
Taxes paid				
Equities	376	0.01	674	0.02
Total direct portfolio transaction costs	1,086	0.03	1,379	0.04
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.14		0.09

5 Revenue

for the year to 31 August	2022 \$'000	2021 \$'000
Bank interest	9	18
Dividends from equity investments: non-taxable	60,390	54,025
Dividends from equity investments: taxable	2,194	1,979
Property distribution: taxable	3,158	3,906
Stock dividends	0	649
Total revenue	65,751	60,577

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6 Expenses

for the year to 31 August	2022 \$'000	2021 \$'000
Payable to the ACD or associate		
Annual charge	48,963	49,134
Other expenses		
Safe custody charge ^a	0	(1)
Total expenses	48,963	49,133

Audit fees for the financial year ending 2022 were £11,000 (2021: £10,000) (including VAT), which are covered by the annual charge. Interest payable and similar charges of \$45,000 (2021: \$46,000) has been reclassified from 'Expenses' within the statement of total return.

^a This amount relates to refunds received in respect of charges to the fund before the single annual charge took effect.

7 Taxation

for the year to 31 August	2022 \$'000	2021 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	7,251	5,981
Capital gains tax (US)	869	150
Deferred tax (note 7c)	0	0
Total taxation	8,120	6,131
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	16,743	11,398
Corporation tax at 20%	3,349	2,280
Effects of:		
Dividends from equity investments: non-taxable	(12,083)	(10,805)
Stock dividends: non-taxable	0	(130)
Capital income subject to taxation	1,158	200
Current year expenses not utilised	7,863	8,600
Withholding tax	7,251	5,981
Overseas tax expensed	(287)	(145)
Capital gains tax (US)	869	150
Total tax charge (note 7a)	8,120	6,131
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$201,807,000 (2021: \$193,944,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 31 August	2022		2021	
	Inc \$'000	Acc \$'000	Inc \$'000	Acc \$'000
Dividend distributions				
Final	5,350	7,477	4,906	4,905
Total net distributions		12,827		9,811
Income deducted on cancellation of shares		1,923		1,079
Income received on issue of shares		(2,021)		(240)
Distributions		12,729		10,650
Net revenue/(expense) per statement of total return		8,623		5,267
Expenses offset against capital		3,408		3,590
Stock dividends not distributed		0		(649)
Capital gains tax offset against capital		869		150
Income deficit transferred to capital		0		2,292
Transfer to capital of income earned in the period		(171)		0
Distributions		12,729		10,650

9 Debtors

as at 31 August	2022 \$'000	2021 \$'000
Amounts receivable from M&G Global Leaders Fund	318	507
Amounts receivable on issues of shares	778	886
Dividends receivable	3,203	2,920
Sales awaiting settlement	1,157	0
Withholding tax recoverable	3,080	3,182
Total debtors	8,536	7,495

10 Cash and bank balances

as at 31 August	2022 \$'000	2021 \$'000
Cash held as bank balances	28,529	62,665
Total cash and bank balances	28,529	62,665

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11 Other creditors

as at 31 August	2022 \$'000	2021 \$'000
Amounts payable on cancellation of shares	732	2,473
Annual charge payable	1,126	3,120
Total other creditors	1,858	5,593

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2021: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.09.21	Issued	Movements Cancelled	Converted	Closing 31.08.22
Euro					
Class 'A' Income	110,647	26,654	(13,528)	0	123,773
Class 'A' Accumulation	35,876,406	685,390	(1,401,486)	0	35,160,310
Class 'C' Income	32,205	2,000	(100)	0	34,105
Class 'C' Accumulation	108,022	9,615	(8,573)	0	109,064
Sterling					
Class 'A' Income	9,645,880	61,704	(485,264)	2,982,038	12,204,358
Class 'A' Accumulation	12,256,391	244,909	(1,586,960)	3,413,562	14,327,902
Class 'I' Income	2,436,770	235,508	(360,937)	0	2,311,341
Class 'I' Accumulation	10,754,838	1,523,597	(807,897)	0	11,470,538
Class 'PP' Income	1,366,092	27,363	(286,949)	0	1,106,506
Class 'PP' Accumulation	468,034	161,109	(64,732)	0	564,411
Class 'R' Income	2,094,676	213,850	(296,280)	0	2,012,246
Class 'R' Accumulation	8,811,115	508,760	(553,949)	0	8,765,926
Class 'X' Income	3,202,676	41,919	(272,254)	(2,972,341)	0
Class 'X' Accumulation	3,644,868	26,984	(244,441)	(3,447,411)	0
US dollar					
Class 'A' Accumulation	1,290,733	209,157	(130,535)	0	1,369,355

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

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14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge %
Euro	
Class 'A'	1.90
Class 'C'	0.90
Sterling	
Class 'A'	1.30
Class 'I'	0.90
Class 'PP'	0.70
Class 'R'	1.15
Class 'X'	1.30
US dollar	
Class 'A'	1.90

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 4.82% (2021: 4.64%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

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Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 August	Assets 2022 \$'000	Liabilities 2022 \$'000	Assets 2021 \$'000	Liabilities 2021 \$'000
Level 1	2,760,399	0	3,230,140	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	2,760,399	0	3,230,140	0

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$138,020,000 (2021: \$161,507,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$63,438,000 (2021: \$81,339,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2022 \$'000	2021 \$'000
Currency exposure in respect of the fund		
Australian dollar	54,026	85,414
Canadian dollar	214,729	238,034
Danish krone	26,989	35,890
Euro	478,227	581,365
Hong Kong dollar	178,687	195,305
Japanese yen	89,780	130,088
Singapore dollar	29,417	32,495
South Korean won	50,267	63,149
Sterling	90,403	165,671
Swedish krona	0	30,487
Swiss franc	56,237	68,884
US dollar	1,521,494	1,663,019
Total	2,790,256	3,289,801

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20 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

21 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

22 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.21	31.08.22	01.09.22	31.10.22

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Euro Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	Euro ¢	2022	2022	2021
		Euro ¢	Euro ¢	Euro ¢
Final	25.4061	69.3498	94.7559	70.1025

Euro Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	Euro ¢	2022	2022	2021
		Euro ¢	Euro ¢	Euro ¢
Final	0.0000	2.3183	2.3183	0.0000

Euro Class 'C' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	Euro ¢	2022	2022	2021
		Euro ¢	Euro ¢	Euro ¢
Final	83.7154	29.0552	112.7706	82.2010

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Euro Class 'C' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	Euro €	2022	2022	2021
		Euro €	Euro €	Euro €
Final	64.3458	5.7827	70.1285	46.3927

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Final	12.7562	14.0203	26.7765	19.8223

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Final	5.2786	9.4745	14.7531	8.1826

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Final	35.3312	11.4174	46.7486	33.9331

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Final	8.8854	20.2886	29.1740	19.4711

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Final	0.6693	2.0991	2.7684	2.0206

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Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	0.1907	1.8673	2.0580	1.4246

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	2.2700	2.3452	4.6152	3.3581

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	1.2418	0.9379	2.1797	1.3635

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	n/a	n/a	n/a	19.8867

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 UK p	2022 UK p	2022 UK p	2021 UK p
Final	n/a	n/a	n/a	8.1025

US dollar Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022 US ¢	2022 US ¢	2022 US ¢	2021 US ¢
Final	0.6524	0.0000	0.6524	0.0000

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23 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

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For the purposes of these financial statements, the prospectus dated 29 July 2022 has been used.

Investment objective

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

Investment policy

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

The investment approach aims to exploit price volatility.

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

The investment approach filters the fund's investment universe down to a focused list of companies whose shares trade on low valuations relative to their history

and the market. These companies are then subject to rigorous fundamental analysis to attain an understanding of a company's sustainable earnings. This fundamental analysis leads to a high level of conviction for each of the companies held in the fund.

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

Benchmark

Benchmark: MSCI Japan Index.

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

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

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

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Risk profile

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



The above number:

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

Investment review

For the year ended 31 August 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 31 August 2022, the M&G Japan Fund delivered a positive total return (the combination of income and growth of capital) across all its sterling share classes*. Fund performance was ahead of the fund's benchmark, the MSCI Japan Index, which fell by -3.8% over the same 12-month period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes, but lagged its benchmark, which returned 4.4% pa over this period. Therefore, the fund did not meet the objective over its specified timeframe of five years.

Please note, the current fund manager, Carl Vine took over the management of the fund on 20 September 2019, just under three years ago.

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

*The Class 'X' shares closed on 24 June 2022.

Performance review

Over the review period, the fund delivered a positive total return and meaningfully outperformed its benchmark the MSCI Japan Index, which was principally driven by stock selection. The portfolio is designed to focus on company-specific stock ideas, which display strong upside potential, whilst at the same time having a margin of safety, to protect against downside scenarios. Therefore, we are happy with this outcome.

Japanese equities (company shares) fell over the 12 months, trailing other developed markets, when measured in sterling terms. In local currency terms, the Japanese stockmarket rose, but as the value of the yen fell against sterling, this reduced returns for sterling-based investors.

With other central banks having become increasingly hawkish in 2022 and the Bank of Japan (BoJ) continuing to believe that higher domestic rates are not yet appropriate, lower interest rates in Japan versus countries such as the UK has led to yen weakness.

Over the review period, the stockmarket was buffeted by many of the same factors as other markets around the world, namely: concerns over energy price-driven inflation (a general increase in prices), fears of slower economic growth, supply-chain disruptions, Russia's invasion of Ukraine and tensions between the US and China over Taiwan.

Despite the challenging macroeconomic headwinds, corporate earnings in Japan continued to show resilience. The review period continued to deliver ongoing evidence of positive structural reform in Japan. Meanwhile, share buybacks are at record levels and indicate further evidence of balance-sheet optimisation, an ongoing investment theme in Japan.

In July 2022, we were shocked by the news of the assassination of former prime minister, Shinzo Abe. Abe was the architect of economic reforms in Japan, his so-called "three arrows" (fiscal stimulus, monetary easing and structural reforms). Since he first gave his speech

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in the fourth quarter of 2012, these policies have led to a massive state co-ordinated campaign to get Japanese companies to change their behaviour.

The current prime minister, Kishida is committed to building on Abe's success. In April 2022, he unveiled a new set of economic policies. We are encouraged by his pro-market stance and positive on his plans to drive wage growth in the economy through improved labour productivity. His ambition to encourage a major shift in household asset allocation toward equities, is also favourable for the Japanese stockmarket. If he succeeds with these policies, we believe they could be beneficial for the Japanese market overall.

In terms of sectors, utilities and financials were the best performing (excluding energy which has a very small weighting in the MSCI Japan Index) over the review period – utilities for their defensive qualities and financials whose profitability should improve with higher interest rates and economic growth. Conversely, technology, materials and healthcare lagged the broader market.

In the industrials sector, Kintetsu World Express and Mitsui were key contributors to fund performance.

As Japan's second-largest air/ocean freight-forwarder, Kintetsu World Express was a significant beneficiary of improved pricing power, resulting from a greater demand for shippers than carriers in logistics markets. In addition, free cashflow generation at the company has been very strong and this has helped rapidly strengthen the company's balance sheet. In May 2022, shares in Kintetsu rallied following news of a proposed takeover by its largest shareholder. Since we invested in the company in late 2019, Kintetsu's share price has risen by nearly two-and-a-half times making the stock an important contributor to fund performance over the longer term. This position has now been closed.

Shipping company Mitsui performed strongly, as the incredibly favourable demand/supply conditions in its sector drove a spectacular increase in earnings. We recognise that the current industry backdrop is unlikely to continue and so have closed the position.

Other holdings that were significant contributors to outperformance included Sanrio, Credit Saison and Nikon. In each case, we are actively engaged with management, encouraging improvements in both capital allocation and corporate strategy.

Sanrio owns the character IP (intellectual property) for Hello Kitty. We continue to believe that Sanrio sits on a deeply undervalued IP portfolio and that changes to its commercial strategy are being delivered by a recently overhauled management team. The potential to radically improve its earnings power is significant, in our view. Towards the end of the review period, shares in Sanrio rose sharply after the company agreed a licensing deal with China's e-commerce giant Alibaba.

Credit Saison's share price rose sharply following the news that an activist shareholder had taken a significant stake in the company. We have previously engaged with management on its investor relations strategy and continue to have dialogue on a range of issues, including corporate strategy and merger and acquisition opportunities.

Nikon's strong performance followed the announcement of a meaningful share-buyback, in line with our recommendations, as well as a new medium-term strategy outlining credible sources of structural growth. The plan corresponded with our base-case scenario, that Nikon has under-monetised IP, and the news was well received by the market.

Conversely the fund's largest detractor was Ree Automotive, a US-listed company that is closely linked to the Japanese auto industry. The company's share price fell over the review period reflecting a general malaise in the stock prices of early growth companies. However, the company's recent results announcement confirms that the business is ahead of schedule with its strategic plans, and we believe very strong growth lies ahead. Ree was a new investment during the review period, and we are happy to remain invested, as we believe there is considerable upside potential.

Biotechnology business PeptiDream is another example of an early-growth company that held back performance. We have been following the company for

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many years and are particularly excited by the size of the opportunity open to the company in the siRNA (small interfering RNA) space. Thanks to PeptiDream's technology, leading companies such as Alnylam can expand their RNAi (RNA interference) therapies beyond the liver to all parts of the body. This has game-changing potential for the pharmaceutical industry globally.

In March 2022, shares in Hino Motors fell after the company admitted that it had been falsifying data related to engine emissions and fuel performance on several of its models. We spoke to the company to assess the situation and decided to exit the position. The company has made further announcements, admitting that the falsifying of data has been going on for longer and is more widespread than it previously admitted.

Investment activities

We aim to identify significant dislocations between the price and what we consider to be the value of a stock, which we can exploit and where we believe we have a greater perspective than other investors. In our opinion, our edge does not come from better forecasting, but rather from the superior pricing of risk. In addition, we actively engage with companies in which we invest as we seek to add value in a range of areas. We believe this differentiates us as investment professionals and delivers to us unique investment opportunities.

Early in the review period, we initiated a position in Kawasaki Heavy Industries (KHI). In the near term, we believe the company's motorcycle and robot divisions will be key earnings drivers. In the medium term, the aerospace recovery and corporate restructuring should continue to drive earnings growth; over the long term, we believe KHI will be a key beneficiary of the "hydrogen economy", as Japan embraces the technology for carbon goals.

Towards the end of 2021, we added some names in order to optimise portfolio construction. Our aim is to generate above-market returns through stock selection and so we try to avoid taking on unintended bets. To that end, we reduced the portfolio's below-benchmark

positions to some high-valuation names such as Keyence, Fast Retailing (which has now been sold) and Recruit Holdings.

In the first quarter of 2022, we added Yamato, one of Japan's top home delivery providers and initiated a position in Showa Denko. Yamato has enjoyed several years of growth from increased volumes and margins, but its share price had fallen meaningfully ahead of our investment. While there are some short-term concerns, we believe the long-term earnings power of the company is being mispriced by the market at the current valuation level.

At the hands of a new senior executive team, we believe Showa Denko is in the early stage of an impressive transformation. Showa Denko is the world's largest semiconductor-materials producer, and we feel the company is deeply mispriced on a medium-term view.

We also began new positions in recruitment consultant Benext-Yumeshin, technology services company NTT Data, Sumitomo Forestry, and Rohm. We invested in Rohm, as we have become increasingly excited about the asymmetric return potential. On the downside, Rohm's bullet-proof balance sheet offers some margin of safety if economic conditions worsen. On the upside, improved corporate strategy and capital management from the new management team should lead to both higher earnings and shareholder returns. Lastly, we believe the structural growth opportunity the company has in Silicon Carbide is extremely exciting and underappreciated.

In the latter stages of the review period, we began positions in Hamamatsu Photonics, a manufacturer of optical sensors, Japan Post Bank, Asahi and Yamaha Motor. We invested in Japan Post Bank as we believe the stock should be a big beneficiary of prospective shifts in both monetary policy and financial sector regulation. We decided to invest in beverage company Asahi, as we feel it has not been given due credit for its successful expansion overseas. We believe Yamaha Motor is likely to benefit from the switch to electric motorcycles.

Authorised Corporate Director's Report

Larger positions closed during the review period (in addition to the ones mentioned in the performance review) included semiconductor company SUMCO, auto components manufacturer Musashi Seimitsu, pharmaceutical company Shionogi, electrical equipment manufacturer Fuji Electric, JSR, a manufacturer of high value-added technology materials, and logistics company Sankyu. These holdings were sold as our investment thesis had played out and we saw better risk/return opportunities elsewhere.

Outlook

Whilst there are currently several negative factors investors must navigate – higher energy and food prices, supply-chain disruptions, the war in Ukraine, China's strict "zero-COVID-19" policy and Sino-US geopolitical tensions – we believe Japanese company shares remain attractively valued in an absolute and global context.

Over the past 10 years, Abenomics has led to a massive state-coordinated campaign to get Japanese companies to change their behaviour. The current prime minister, Fumio Kishida, is committed to continuing this effort.

We see plentiful opportunities for companies to improve balance-sheet efficiency, refine business strategies and embrace industrial consolidation. It is an often underappreciated fact that Japanese equities have already been generating very attractive returns for some time.

For example, over the past 10 years, total returns (local currency) have grown at over 10% pa, which is one of the best rates in the world. Unlike some markets, those returns came from increasing earnings and dividends, rather than a combination of earnings/dividends and multiple expansion/increasing valuations. We believe these attractive returns are set to continue and Japan could compound returns at a similar rate over the next 10 years, driven solely by earnings growth.

In addition to the positive outlook for the market, we believe we are well positioned to generate excess returns for investors.

Our investment process has been built around the aim of becoming the shareholder of choice. We want companies to want us to be on their share register. In order to be shareholder of choice, you have to add value. Unlike most investors who have an idea and then do research, we do the opposite; we research companies and out of that research comes ideas. We put ourselves in management's shoes, which leads us to ask differentiated questions.

What drives our brand of 'Value-added Shareholdership' is the concept of 'Servant-Leadership'. If you want to lead you have to serve. Over the past 20+ years, the team have built relationships with our investee companies that allow us to do this. We can now credibly interact with companies and help them become better versions of themselves, which of course benefits us as investors. We believe this approach is especially important now as 'winners and losers' emerge from Japan's transformation as companies change their behaviour.

With a positive view on the asset class and a favourable environment for stockpicking, we believe the opportunities that currently exist for the fund are sizeable. We will continue to build on the success so far and aim to deliver value for our investors.

Carl Vine

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.08.22 ¥'000	as at 31.08.22 %	as at 31.08.21 %
Equities	47,059,146	99.60	100.67
Chemicals	1,045,584	2.21	5.04
488,000 Showa Denko	1,045,584	2.21	
Construction & engineering	786,622	1.67	1.74
187,700 Taisei	786,622	1.67	
Electrical equipment	0	0.00	2.11
Industrial conglomerates	1,729,606	3.66	3.45
249,000 Hitachi	1,729,606	3.66	
Machinery	3,913,253	8.28	5.12
1,182,800 Hitachi Zosen	1,040,372	2.20	
394,100 Kawasaki Heavy Industries	1,065,718	2.25	
306,200 MinebeaMitsumi	736,565	1.56	
137,800 Toyota Industries	1,070,598	2.27	
Trading companies & distributors	1,499,651	3.17	2.83
459,700 Mitsui	1,499,651	3.17	
Professional services	2,916,655	6.17	0.00
626,500 BeNext-Yumeshin	1,027,601	2.17	
213,200 dip	769,413	1.63	
251,900 Recruit	1,119,641	2.37	
Air freight & logistics	653,235	1.38	3.34
300,700 Yamato	653,235	1.38	
Marine	0	0.00	2.03
Road & rail	691,718	1.46	3.63
178,700 Keisei Electric Railway	691,718	1.46	
Transportation infrastructure	1,026,762	2.17	1.48
377,100 Kamigumi	1,026,762	2.17	
Auto components	183,821	0.39	2.43
1,165,653 REE Automotive	183,821	0.39	
Automobiles	3,686,333	7.80	10.83
353,200 Honda Motor	1,305,625	2.76	
156,800 Isuzu Motors	270,282	0.57	
776,400 Toyota Motor	1,623,453	3.44	
168,700 Yamaha Motor	486,973	1.03	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 ¥'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Household durables	3,939,044	8.34	7.69
303,200 Haseko	483,486	1.02	
753,100 Nikon	1,197,248	2.54	
118,000 Sony	1,302,119	2.76	
405,200 Sumitomo Forestry	956,191	2.02	
Specialty retail	1,345,640	2.85	2.31
368,000 Sanrio	1,345,640	2.85	
Food & staples retailing	1,329,022	2.81	2.95
240,800 Seven & i	1,329,022	2.81	
Beverages	1,745,110	3.69	2.53
102,400 Asahi	476,366	1.01	
554,500 Kirin	1,268,744	2.68	
Household products	801,775	1.70	1.99
147,500 Earth	801,775	1.70	
Personal products	0	0.00	1.18
Biotechnology	381,504	0.81	0.00
228,300 PeptiDream	381,504	0.81	
Pharmaceuticals	1,584,314	3.35	5.26
333,600 Astellas Pharma	658,948	1.39	
240,600 Takeda Pharmaceutical	925,366	1.96	
Banks	2,034,512	4.31	3.01
458,300 Japan Post Bank	464,854	0.99	
2,177,100 Mitsubishi UFJ Financial	1,569,658	3.32	
Diversified financial services	1,486,501	3.15	3.28
648,900 ORIX	1,486,501	3.15	
Consumer finance	1,632,872	3.46	2.40
935,000 Credit Saison	1,632,872	3.46	
Capital markets	1,373,393	2.91	2.85
4,586,300 Sparx	1,373,393	2.91	
IT services	2,860,578	6.06	5.50
297,400 BIPROGY	915,911	1.94	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 ¥'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
IT services (continued)			
196,400 NEC	996,318	2.11	
483,600 NTT Data	948,349	2.01	
Electronic equipment, instruments & components	939,199	1.99	0.00
83,500 Hamamatsu Photonics	493,113	1.04	
8,500 Keyence	446,086	0.95	
Semiconductors & semiconductor equipment	2,318,239	4.91	2.22
818,700 Renesas Electronics	1,074,675	2.28	
119,100 Rohm	1,243,564	2.63	
Diversified telecommunication services	1,400,299	2.96	2.77
371,700 Nippon Telegraph & Telephone	1,400,299	2.96	
Wireless telecommunication services	492,744	1.04	1.10
89,300 SoftBank	492,744	1.04	
Media	545,110	1.15	1.74
338,100 TBS	545,110	1.15	
Entertainment	1,524,751	3.23	4.17
26,800 Nintendo	1,524,751	3.23	
Real estate management & development	1,191,299	2.52	3.69
423,400 Mitsui Fudosan	1,191,299	2.52	
Total portfolio	47,059,146	99.60	100.67
Net other assets/(liabilities)	191,192	0.40	(0.67)
Net assets attributable to shareholders	47,250,338	100.00	100.00

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

Portfolio statement

Top ten portfolio transactions for the year to 31 August 2022

Largest purchases	¥'000
Kawasaki Heavy Industries	1,433,949
Recruit	1,359,747
Renesas Electronics	1,248,026
Mitsubishi UFJ Financial	1,199,015
Toyota Motor	1,182,619
Rohm	1,154,208
Showa Denko	1,150,018
NTT Data	963,275
Toyota Industries	961,468
BeNext-Yumeshin	939,880
Other purchases	23,157,650
Total purchases	34,749,855

Largest sales	¥'000
KintetsuWorld Express	1,512,707
Toyota Motor	1,321,926
Fuji Electric	764,612
Mitsui	745,645
Hitachi Zosen	721,983
Fast Retailing	672,785
SUMCO	631,307
JSR	616,838
Fujimi	568,968
Nintendo	543,225
Other sales	9,249,774
Total sales	17,349,770

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

Financial highlights

Fund performance

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

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at www.mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

On 24 June 2022, the Sterling Class 'X' Income and Sterling Class 'X' Accumulation shares were merged into the equivalent Sterling Class 'A' Income and Sterling Class 'A' Accumulation shares.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	+4.8	+8.3	+3.6	+11.2
Class 'A' Accumulation	+4.8	+8.3	+3.6	+11.2
Class 'I' Income	+5.3	+8.8	+4.2	+11.9
Class 'I' Accumulation	+5.3	+8.8	+4.2	+11.9
Class 'PP' Income	+5.5	+9.0	n/a	n/a
Class 'PP' Accumulation	+5.5	+9.0	n/a	n/a
Class 'R' Income	+5.0	+8.5	+3.9	+11.7
Class 'R' Accumulation	+5.0	+8.5	+3.9	+11.7
Class 'X' Income	-1.9	+6.3	+2.3	+10.7
Class 'X' Accumulation	-2.0	+6.3	+2.3	+10.7
Benchmark	-3.8	+4.2	+4.4	+9.9

^a Not annualised.

Specific share class performance

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

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 9 May 1977.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	60.12	48.79	52.24
Return before operating charges	3.64	13.35	(1.38)
Operating charges	(0.73)	(0.77)	(0.72)
Return after operating charges	2.91	12.58	(2.10)
Distributions	(1.51)	(1.25)	(1.35)
Closing NAV	61.52	60.12	48.79
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.02	0.06
Dilution adjustments	(0.03)	(0.01)	(0.01)
Total direct transaction costs	0.00	0.01	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.10
Operating charges	1.19	1.34	1.40
Return after charges	+4.84	+25.78	-4.02
Other information			
Closing NAV (¥'000)	14,515,768	16,031,935	12,916,402
Number of shares	146,451,136	176,157,464	188,897,091
Highest share price (UK p)	64.65	62.46	56.35
Lowest share price (UK p)	57.01	47.78	40.28

Sterling Class 'A' Accumulation share performance

The share class was launched on 6 April 1971.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	74.15	58.94	61.41
Return before operating charges	4.47	16.14	(1.62)
Operating charges	(0.90)	(0.93)	(0.85)
Return after operating charges	3.57	15.21	(2.47)
Distributions	(0.99)	(0.62)	(0.76)
Retained distributions	0.99	0.62	0.76
Closing NAV	77.72	74.15	58.94
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.04	0.03	0.08
Dilution adjustments	(0.03)	(0.01)	(0.02)
Total direct transaction costs	0.01	0.02	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.10
Operating charges	1.18	1.34	1.40
Return after charges	+4.81	+25.81	-4.02
Other information			
Closing NAV (¥'000)	1,194,472	988,027	874,576
Number of shares	9,538,946	8,801,728	10,586,036
Highest share price (UK p)	79.73	75.48	66.24
Lowest share price (UK p)	70.31	57.74	47.35

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,445.79	1,975.85	2,105.24
Return before operating charges	147.22	541.75	(55.82)
Operating charges	(18.37)	(20.97)	(19.00)
Return after operating charges	128.85	520.78	(74.82)
Distributions	(61.47)	(50.84)	(54.57)
Closing NAV	2,513.17	2,445.79	1,975.85
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.24	0.91	2.64
Dilution adjustments	(1.13)	(0.37)	(0.61)
Total direct transaction costs	0.11	0.54	2.03
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.10
Operating charges	0.72	0.90	0.90
Return after charges	+5.27	+26.36	-3.55
Other information			
Closing NAV (¥'000)	2,320,591	231,255	196,985
Number of shares	573,139	62,456	71,131
Highest share price (UK p)	2,631.19	2,539.95	2,272.99
Lowest share price (UK p)	2,324.33	1,935.27	1,627.28

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,851.62	2,256.65	2,339.60
Return before operating charges	171.12	618.92	(62.00)
Operating charges	(21.70)	(23.95)	(20.95)
Return after operating charges	149.42	594.97	(82.95)
Distributions	(49.66)	(34.92)	(40.35)
Retained distributions	49.66	34.92	40.35
Closing NAV	3,001.04	2,851.62	2,256.65
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.42	1.04	2.91
Dilution adjustments	(1.29)	(0.42)	(0.68)
Total direct transaction costs	0.13	0.62	2.23
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.10
Operating charges	0.74	0.90	0.90
Return after charges	+5.24	+26.37	-3.55
Other information			
Closing NAV (¥'000)	21,718,714	8,475,819	7,089,795
Number of shares	4,492,054	1,963,326	2,241,547
Highest share price (UK p)	3,066.97	2,901.09	2,526.19
Lowest share price (UK p)	2,709.29	2,210.43	1,808.55

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	112.49	90.69	96.43
Return before operating charges	6.71	24.89	(2.58)
Operating charges	(0.54)	(0.75)	(0.66)
Return after operating charges	6.17	24.14	(3.24)
Distributions	(2.83)	(2.34)	(2.50)
Closing NAV	115.83	112.49	90.69
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.04	0.12
Dilution adjustments	(0.05)	(0.02)	(0.03)
Total direct transaction costs	0.01	0.02	0.09
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.10
Operating charges	0.45	0.70	0.70
Return after charges	+5.48	+26.62	-3.36
Other information			
Closing NAV (¥'000)	5,669,845	8,175	2,542
Number of shares	30,383,634	48,000	20,000
Highest share price (UK p)	121.03	116.79	104.16
Lowest share price (UK p)	107.02	88.83	74.62

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	123.13	97.24	100.62
Return before operating charges	7.30	26.69	(2.69)
Operating charges	(0.59)	(0.80)	(0.69)
Return after operating charges	6.71	25.89	(3.38)
Distributions	(2.39)	(1.73)	(1.93)
Retained distributions	2.39	1.73	1.93
Closing NAV	129.84	123.13	97.24
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.04	0.12
Dilution adjustments	(0.06)	(0.02)	(0.03)
Total direct transaction costs	0.00	0.02	0.09
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.10
Operating charges	0.46	0.70	0.70
Return after charges	+5.45	+26.62	-3.36
Other information			
Closing NAV (¥'000)	1,504,705	15,150	14,123
Number of shares	7,193,276	81,274	103,627
Highest share price (UK p)	132.45	125.23	108.69
Lowest share price (UK p)	117.10	95.25	77.86

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	241.10	195.27	208.58
Return before operating charges	14.59	53.50	(5.55)
Operating charges	(2.52)	(2.65)	(2.36)
Return after operating charges	12.07	50.85	(7.91)
Distributions	(6.05)	(5.02)	(5.40)
Closing NAV	247.12	241.10	195.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.12	0.09	0.26
Dilution adjustments	(0.11)	(0.04)	(0.06)
Total direct transaction costs	0.01	0.05	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.10
Operating charges	1.02	1.15	1.15
Return after charges	+5.01	+26.04	-3.79
Other information			
Closing NAV (¥'000)	43,256	38,582	28,685
Number of shares	108,648	105,703	104,806
Highest share price (UK p)	259.34	250.48	225.09
Lowest share price (UK p)	228.83	191.26	161.01

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	278.90	221.27	229.97
Return before operating charges	16.81	60.65	(6.10)
Operating charges	(2.92)	(3.02)	(2.60)
Return after operating charges	13.89	57.63	(8.70)
Distributions	(4.16)	(2.79)	(3.41)
Retained distributions	4.16	2.79	3.41
Closing NAV	292.79	278.90	221.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.14	0.10	0.28
Dilution adjustments	(0.13)	(0.04)	(0.07)
Total direct transaction costs	0.01	0.06	0.21
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.10
Operating charges	1.03	1.15	1.15
Return after charges	+4.98	+26.05	-3.78
Other information			
Closing NAV (¥'000)	282,987	276,358	203,422
Number of shares	599,927	654,513	655,926
Highest share price (UK p)	299.92	283.84	248.19
Lowest share price (UK p)	264.64	216.73	177.53

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	59.26	48.09	51.50
Return before operating charges	(0.38)	13.17	(1.37)
Operating charges	(0.60)	(0.76)	(0.71)
Return after operating charges	(0.98)	12.41	(2.08)
Distributions	n/a	(1.24)	(1.33)
NAV of in specie transfer	(58.28)	n/a	n/a
Closing NAV	0.00	59.26	48.09
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.06
Dilution adjustments	(0.02)	(0.01)	(0.01)
Total direct transaction costs	0.00	0.01	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.10
Operating charges	1.23	1.34	1.40
Return after charges	-1.65	+25.81	-4.04
Other information			
Closing NAV (¥'000)	0	100,259	80,922
Number of shares	0	1,117,566	1,200,555
Highest share price (UK p)	63.73	61.57	55.55
Lowest share price (UK p)	56.20	47.10	39.70

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	73.16	58.16	60.60
Return before operating charges	(0.52)	15.92	(1.60)
Operating charges	(0.71)	(0.92)	(0.84)
Return after operating charges	(1.23)	15.00	(2.44)
Distributions	n/a	(0.61)	(0.75)
Retained distributions	n/a	0.61	0.75
NAV of in specie transfer	(71.93)	n/a	n/a
Closing NAV	0.00	73.16	58.16
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.08
Dilution adjustments	(0.03)	(0.01)	(0.02)
Total direct transaction costs	0.00	0.02	0.06
Performance and charges	%	%	%
Direct portfolio transaction costs	0.05	0.02	0.10
Operating charges	1.19	1.34	1.40
Return after charges	-1.68	+25.79	-4.03
Other information			
Closing NAV (¥'000)	0	62,987	54,865
Number of shares	0	568,680	673,075
Highest share price (UK p)	78.67	74.47	65.36
Lowest share price (UK p)	69.37	56.96	46.71

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Statement of total return

for the year to 31 August	Note	2022		2021	
		¥'000	¥'000	¥'000	¥'000
Income					
Net capital gains/(losses)	3		3,232,249		7,238,072
Revenue	5	870,112		639,151	
Expenses	6	(321,727)		(301,026)	
Interest payable and similar charges		(2,769)		(1,320)	
Net revenue/(expense) before taxation		545,616		336,805	
Taxation	7	(86,192)		(62,717)	
Net revenue/(expense) after taxation			459,424		274,088
Total return before distributions			3,691,673		7,512,160
Distributions	8		(662,437)		(482,918)
Change in net assets attributable to shareholders from investment activities			3,029,236		7,029,242

Statement of change in net assets attributable to shareholders

for the year to 31 August	2022		2021	
	¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders		26,228,547		21,462,317
Amounts received on issue of shares	24,981,143		2,781,658	
Amounts paid on cancellation of shares	(7,443,191)		(5,171,723)	
		17,537,952		(2,390,065)
Dilution adjustments		48,191		11,554
Change in net assets attributable to shareholders from investment activities (see above)		3,029,236		7,029,242
Retained distributions on Accumulation shares		406,406		115,484
Unclaimed distributions		6		15
Closing net assets attributable to shareholders		47,250,338		26,228,547

Interest payable and similar charges of ¥2,769,000 (2021: ¥1,320,000) has been reclassified from 'Expenses' within the statement of total return.

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Balance sheet

as at 31 August	Note	2022 ¥'000	2021 ¥'000
Assets			
Fixed assets			
Investments		47,059,146	26,404,493
Current assets			
Debtors	9	1,864,256	15,478
Cash and bank balances	10	94	393,772
Total assets		48,923,496	26,813,743
Liabilities			
Creditors			
Bank overdrafts		(202,846)	0
Distribution payable		(552,268)	(341,973)
Other creditors	11	(918,044)	(243,223)
Total liabilities		(1,673,158)	(585,196)
Net assets attributable to shareholders		47,250,338	26,228,547

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Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

The fund's functional and presentational currency is the Japanese yen as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2022 ¥'000	2021 ¥'000
Non-derivative securities	3,254,568	7,237,417
Derivative contracts	0	18
Currency gains/(losses)	(22,319)	637
Net capital gains/(losses)	3,232,249	7,238,072

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

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for the year to 31 August	2022 ¥'000	% of transaction	2021 ¥'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	34,739,950		13,314,631	
Commissions	9,905	0.03	5,487	0.04
Total purchases after transaction costs	34,749,855		13,320,118	
b) Sales				
Equities				
Equities before transaction costs	17,356,135		15,352,871	
Commissions	(6,365)	0.04	(4,388)	0.03
Equities after transaction costs	17,349,770		15,348,483	
Other transaction types				
Corporate actions	0		211,600	
Total sales after transaction costs	17,349,770		15,560,083	
	2022 ¥'000	% of average NAV	2021 ¥'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	16,270	0.03	9,875	0.04
Total direct portfolio transaction costs	16,270	0.03	9,875	0.04
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.24		0.22

5 Revenue

for the year to 31 August	2022 ¥'000	2021 ¥'000
Bank interest	59	60
Dividends from equity investments: non-taxable	870,053	626,521
Dividends from equity investments: taxable	0	12,570
Total revenue	870,112	639,151

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6 Expenses

for the year to 31 August	2022 ¥'000	2021 ¥'000
Payable to the ACD or associate		
Annual charge	321,727	301,026
Total expenses	321,727	301,026

Audit fees for the financial year ending 2022 were £11,000 (2021: £10,000) (including VAT), which are covered by the annual charge. Interest payable and similar charges of ¥2,769,000 (2021: ¥1,320,000) has been reclassified from 'Expenses' within the statement of total return.

7 Taxation

for the year to 31 August	2022 ¥'000	2021 ¥'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	86,192	62,717
Deferred tax (note 7c)	0	0
Total taxation	86,192	62,717
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	545,616	336,805
Corporation tax at 20%	109,123	67,361
Effects of:		
Dividends from equity investments: non-taxable	(174,011)	(125,305)
Current year expenses not utilised	64,888	58,286
Withholding tax	86,192	62,717
Overseas tax expensed	0	(342)
Total tax charge (note 7a)	86,192	62,717
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of ¥1,309,965,000 (2021: ¥1,245,077,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 31 August	2022		2021	
	Inc ¥'000	Acc ¥'000	Inc ¥'000	Acc ¥'000
Dividend distributions				
Final	552,268	406,406	341,973	115,484
Total net distributions		958,674		457,457
Income deducted on cancellation of shares		116,734		51,355
Income received on issue of shares		(412,971)		(25,894)
Distributions		662,437		482,918
Net revenue/(expense) per statement of total return		459,424		274,088
Expenses offset against capital		203,014		208,840
Undistributed income brought forward		21		11
Undistributed income carried forward		(22)		(21)
Distributions		662,437		482,918

9 Debtors

as at 31 August	2022 ¥'000	2021 ¥'000
Amounts receivable on issues of shares	923,941	0
Currency deals outstanding	883,312	0
Dividends receivable	57,003	15,478
Total debtors	1,864,256	15,478

10 Cash and bank balances

as at 31 August	2022 ¥'000	2021 ¥'000
Cash held as bank balances	94	393,772
Total cash and bank balances	94	393,772

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11 Other creditors

as at 31 August	2022 ¥'000	2021 ¥'000
Amounts payable on cancellation of shares	34,059	0
Annual charge payable	7,910	18,548
Currency deals outstanding	876,075	0
Purchases awaiting settlement	0	216,543
Payable to M&G (Lux) Japan Fund	0	8,132
Total other creditors	918,044	243,223

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2021: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.09.21	Issued	Movements Cancelled	Converted	Closing 31.08.22
Sterling					
Class 'A' Income	176,157,464	3,576,134	(34,227,781)	945,319	146,451,136
Class 'A' Accumulation	8,801,728	13,587,783	(14,219,893)	1,369,328	9,538,946
Class 'I' Income	62,456	595,774	(85,091)	0	573,139
Class 'I' Accumulation	1,963,326	2,983,804	(455,076)	0	4,492,054
Class 'PP' Income	48,000	30,345,615	(9,981)	0	30,383,634
Class 'PP' Accumulation	81,274	7,112,002	0	0	7,193,276
Class 'R' Income	105,703	9,834	(6,889)	0	108,648
Class 'R' Accumulation	654,513	218,643	(273,229)	0	599,927
Class 'X' Income	1,117,566	70,381	(229,003)	(958,944)	0
Class 'X' Accumulation	568,680	1,013,720	(194,416)	(1,387,984)	0

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

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14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge to 26.04.22 %	Annual charge from 27.04.22 %
Sterling		
Class 'A'	1.30	0.95
Class 'I'	0.90	0.55
Class 'PP'	0.70	0.45
Class 'R'	1.15	0.80
Class 'X'	1.30	1.30

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to / from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge, ACD's annual management charge and administration charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 72.82% (2021: 92.54%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

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Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 August	Assets 2022	Liabilities 2022	Assets 2021	Liabilities 2021
Basis of valuation	¥'000	¥'000	¥'000	¥'000
Level 1	47,059,146	0	26,404,493	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	47,059,146	0	26,404,493	0

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by ¥2,352,957,000 (2021: ¥1,320,225,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

20 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

21 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

22 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.21	31.08.22	01.09.22	31.10.22

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income

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Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	0.8433	0.6652	1.5085	1.2528

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	0.3625	0.6323	0.9948	0.6150

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	17.0437	44.4278	61.4715	50.8419

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	11.0038	38.6611	49.6649	34.9189

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	0.1611	2.6688	2.8299	2.3356

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	0.2155	2.1721	2.3876	1.7276

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Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	1.2376	4.8162	6.0538	5.0195

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	0.9596	3.1999	4.1595	2.7912

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	n/a	n/a	n/a	1.2350

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	n/a	n/a	n/a	0.6069

23 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

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For the purposes of these financial statements, the prospectus dated 29 July 2022 has been used.

Investment objective

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

Investment policy

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

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

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

The investment approach aims to take advantage of price volatility.

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

value of companies. The fund seeks to profit from such behavioural biases.

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

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

Benchmark

Benchmark: Russell/Nomura Mid-Small Cap Index.

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

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

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

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Risk profile

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



The above number:

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

Investment review

For the year ended 31 August 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 31 August 2022, the M&G Japan Smaller Companies Fund delivered a positive total return (the combination of income and growth of capital) across all its sterling share classes*. Fund performance was ahead of the fund's benchmark, the Russell/Nomura Mid-Small Cap Index, which fell by -4.3% over the same 12-month period under review.

Over five years, the fund generated an annualised positive total return across its sterling share classes and was ahead of its benchmark, which returned 2.2% pa over this period. Therefore, the fund met its objective over its specified timeframe of five years.

Please note, the current fund manager, Carl Vine took over the management of the fund on 20 September 2019, just under three years ago.

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

*The Class 'X' shares closed on 24 June 2022.

Performance review

Over the review period, the fund delivered a positive total return and meaningfully outperformed its benchmark the Russell/Nomura Mid-Small Cap Index, which was principally driven by stock selection. The portfolio is designed to focus on company-specific stock ideas, which display strong upside potential, whilst at the same time having a margin of safety, to protect against downside scenarios. Therefore, we are happy with this outcome.

Japanese equities (company shares) fell over the 12 months, trailing other developed markets, when measured in sterling terms. In local currency terms, the Japanese stockmarket rose, but as the value of the yen fell against sterling, this reduced returns for sterling-based investors.

With other central banks having become increasingly hawkish in 2022 and the Bank of Japan (BoJ) continuing to believe that higher domestic rates are not yet appropriate, lower interest rates in Japan versus countries such as the UK has led to yen weakness.

Over the review period, the stockmarket was buffeted by many of the same factors as other markets around the world, namely: concerns over energy price-driven inflation (a general increase in prices), fears of slower economic growth, supply-chain disruptions, Russia's invasion of Ukraine and tensions between the US and China over Taiwan.

Despite the challenging macroeconomic headwinds corporate earnings in Japan continued to show resilience. The review period continued to deliver ongoing evidence of positive structural reform in Japan. Meanwhile, share buybacks are at record levels and indicate further evidence of balance-sheet optimisation, an ongoing investment theme in Japan.

In July 2022, we were shocked by the news of the assassination of former prime minister, Shinzo Abe.

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Abe was the architect of economic reforms in Japan, his so-called “three arrows” (fiscal stimulus, monetary easing and structural reforms). Since he first gave his speech in the fourth quarter of 2012, these policies have led to a massive state co-ordinated campaign to get Japanese companies to change their behaviour.

The current prime minister, Fumio Kishida is committed to building on Abe's success. In April 2022, he unveiled a new set of economic policies. We are encouraged by his pro-market stance and positive on his plans to drive wage growth in the economy through improved labour productivity. His ambition to encourage a major shift in household asset allocation toward equities, is also favourable for the Japanese stockmarket. If he succeeds with these policies, we believe they could be beneficial for the Japanese market overall.

Over the review period, Namura Shipbuilding and Kintetsu World Express were key contributors from the industrials sector to fund performance.

Having previously been a major shareholder in Namura Shipbuilding nearly 20 years ago, we invested in this little-known shipbuilding company in 2021 at a favourable price. We believe Namura will have a meaningful part to play in Japan's carbon-neutral ambitions. As Japan promotes ammonia as a replacement to its existing thermal power sources, demand for LPG carriers, which transport ammonia and can operate globally, will likely rise very significantly. The company's share price rallied, as the market began to take note of its solid order book, which should lead to strong earnings.

As Japan's second-largest air/ocean freight-forwarder, Kintetsu World Express was a significant beneficiary of improved pricing power, resulting from a greater demand for shippers than carriers in logistics markets. In addition, free cashflow generation at the company has been very strong and this has helped rapidly strengthen the company's balance sheet. In May 2022, shares in Kintetsu rallied following news of a proposed takeover by its largest shareholder. Since we invested in the company in late 2019, Kintetsu's share price has risen by nearly two-and-a-half times making the stock

an important contributor to fund performance over the longer term. This position has now been closed.

Other holdings that were significant contributors to outperformance included Sanrio and Credit Saison. In both cases, we are actively engaged with management, encouraging improvements in both capital allocation and corporate strategy.

Sanrio owns the character IP (intellectual property) for Hello Kitty. We continue to believe that Sanrio sits on a deeply undervalued IP portfolio and that changes to its commercial strategy are being delivered by a recently overhauled management team. The potential to radically improve its earnings power is significant, in our view. Towards the end of the review period, shares in Sanrio rose sharply after the company agreed a licensing deal with China's e-commerce giant Alibaba.

Credit Saison's share price rose sharply following the news that an activist shareholder had taken a significant stake in the company. We have previously engaged with management on its investor relations strategy and continue to have dialogue on a range of issues, including corporate strategy and merger and acquisition opportunities.

Another key contributor was Benext-Yumeshin Group. Benext-Yumeshin operates staffing businesses for IT and engineering industries, which is a fragmented space and one where we can expect this company to benefit from consolidation. The company's share price has been helped by the increased awareness of the investment community who have begun taking notice of this previously undercovered and undervalued quality growth name.

Conversely the fund's largest detractors were Yukiguni Maitake and Ree Automotive.

Yukiguni operates a unique business in one of the world's fastest growing functional food segments, mushrooms. On a low multiple of earnings, the market is paying very little for mid-single digit growth prospects, in our view. Furthermore, we believe the market is attributing no value to Yukiguni's potential success in the supplement market, where pricing per

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gram is more than 10 times that in the raw product market. Management is actively engaged with us on commercial strategy and how to attack these higher-margin marketplaces, and we remain invested.

Ree Automotive is a US-listed company that is closely linked to the Japanese auto industry. The company's share price fell over the review period reflecting a general malaise in the stock prices of early growth companies. However, the company's recent results announcement confirms that the business is ahead of schedule with its strategic plans, and we believe very strong growth lies ahead. Ree was a new investment during the review period, and we are happy to remain invested, as we believe there is considerable upside potential.

QD Laser was the fund's top performer in the previous annual reporting period but gave back some of those gains in this review period. The company is a world leader in Quantum Dot Lasers, with technology intellectual property (IP) that we believe could be transformational in different sectors depending on its application. We were anchor investors in the IPO in 2021 and continue to believe in the long-term potential of the business and remain invested. However, we have taken profits at a level that was over double where the stock is currently trading and retain a small position as a long-term investment.

Investment activities

We aim to identify significant dislocations between the price and what we consider to be the value of a stock, which we can exploit and where we believe we have a greater perspective than other investors. In our opinion, our edge does not come from better forecasting, but rather from the superior pricing of risk. In addition, we actively engage with companies in which we invest as we seek to add value in a range of areas. We believe this differentiates us as investment professionals and delivers to us unique investment opportunities.

We feel this is especially true in the small and mid-cap space, where coverage by the investment community is more limited. New investments made during the review period exemplify our approach, where we seek to add

value through understanding the business like a business owner, and not simply as a passive investor.

Early in the review period, we initiated a position in Kawasaki Heavy Industries (KHI). In the near term, we believe the company's motorcycle and robot divisions will be key earnings drivers. In the medium term, the aerospace recovery and corporate restructuring should continue to drive earnings growth; over the long term, we believe KHI will be a key beneficiary of the "hydrogen economy", as Japan embraces the technology for carbon goals.

Towards the end of 2021, we began positions in Nabtesco and PeptiDream. Nabtesco is an engineering company that has a large share of the global market for robotics. We believe the current valuation is excessively depressed due to the cyclical nature of the company and concerns over Chinese demand. In our view, its earnings potential in the next few years is underappreciated by the market.

We have followed biotechnology company PeptiDream for many years, and this is the first time we have invested. A sell-off in its share price created a compelling entry point for this high growth company, in our view. We are particularly excited by the fact that the market does not appear to appreciate the size of the opportunity the company faces in the siRNA (small interfering RNA) space.

In the first quarter of 2022, we added Yamato Holdings, one of Japan's top home delivery providers and initiated a position in Showa Denko. Yamato has enjoyed several years of growth from increased volumes and margins, but its share price had fallen meaningfully ahead of our investment. While there are some short-term concerns, we believe the long-term earnings power of the company is being mispriced by the market at the current valuation level.

At the hands of a new senior executive team, we believe Showa Denko is in the early stage of an impressive transformation. Showa Denko is the world's largest semiconductor-materials producer, and we feel the company is deeply mispriced on a medium-term view.

Authorised Corporate Director's Report

We also began new positions in technology services company NTT Data, Sumitomo Forestry, and Rohm. We invested in Rohm, as we have become increasingly excited about the asymmetric return potential. On the downside, Rohm's bullet-proof balance sheet offers some margin of safety if economic conditions worsen. On the upside, improved corporate strategy and capital management from the new management team, should lead to both higher earnings and shareholder returns. Lastly, we believe the structural growth opportunity the company has in Silicon Carbide is extremely exciting and underappreciated.

In the latter stages of the review period, we began positions in Hamamatsu Photonics, a manufacturer of optical sensors and Yamaha Motor. We believe Yamaha Motor is likely to benefit from the switch to electric motorcycles.

Larger positions closed during the first half of the review period included semiconductor company SUMCO, chemicals company Tokuyama, model manufacturer Fujimi and electrical equipment manufacturer Fuji Electric. In the second half of the review period we sold Isuzu Motors and electric furnace steel manufacturer Tokyo Steel. These holdings were sold as our investment theses have played out and we saw better risk/return opportunities elsewhere.

Outlook

Whilst there are currently several negative factors investors must navigate – higher energy and food prices, supply-chain disruptions, the war in Ukraine, China's strict "zero-COVID-19" policy and Sino-US geopolitical tensions – we believe Japanese company shares remain attractively valued in an absolute and global context.

Over the past 10 years, Abenomics has led to a massive state-coordinated campaign to get Japanese companies to change their behaviour. The current prime minister, Fumio Kishida, is committed to continuing this effort.

We see plentiful opportunities for companies to improve balance-sheet efficiency, refine business strategies and embrace industrial consolidation. It is an

often underappreciated fact that Japanese equities have already been generating very attractive returns for some time.

For example, over the past 10 years, total returns (local currency) have grown at over 10% pa, which is one of the best rates in the world. Unlike some markets, those returns came from increasing earnings and dividends, rather than a combination of earnings/dividends and multiple expansion/increasing valuations. We believe these attractive returns are set to continue and Japan could compound returns at a similar rate over the next 10 years, driven solely by earnings growth.

In addition to the positive outlook for the market, we believe we are well positioned to generate excess returns for investors.

Our investment process has been built around the aim of becoming the shareholder of choice. We want companies to want us to be on their share register. In order to be shareholder of choice, you have to add value. Unlike most investors who have an idea and then do research, we do the opposite; we research companies and out of that research comes ideas. We put ourselves in management's shoes, which leads us to ask differentiated questions.

What drives our brand of 'Value-added Shareholdership' is the concept of 'Servant-Leadership'. If you want to lead you have to serve. Over the past 20+ years, the team have built relationships with our investee companies that allow us to do this. We can now credibly interact with companies and help them become better versions of themselves, which of course benefits us as investors. We believe this approach is especially important now as 'winners and losers' emerge from Japan's transformation as companies change their behaviour.

Authorised Corporate Director's Report

With a positive view on the asset class and a favourable environment for stockpicking, we believe the opportunities that currently exist for the fund are sizeable. We will continue to build on the success so far and aim to deliver value for our investors.

Carl Vine

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.08.22 ¥'000	as at 31.08.22 %	as at 31.08.21 %
Equities	20,188,710	97.74	98.95
Software & computer services	834,292	4.04	2.60
139,600 BIPROGY	429,930	2.08	
206,200 NTT Data	404,362	1.96	
Technology hardware & equipment	1,618,815	7.84	7.10
90,300 NEC	458,083	2.22	
375,500 QD Laser	221,997	1.08	
47,500 Rohm	495,963	2.40	
325,900 Tazmo	442,772	2.14	
Pharmaceuticals & biotechnology	208,215	1.01	1.46
124,600 PeptiDream	208,215	1.01	
Investment banking & brokerage services	1,107,379	5.36	3.37
2,895,277 Sparx	867,007	4.20	
419,548 YCP	240,372	1.16	
Real estate investment & services	0	0.00	1.98
Automobiles & parts	1,713,349	8.30	1.73
118,100 Honda Motor	436,564	2.12	
195,000 KYB	644,134	3.12	
641,966 REE Automotive	101,237	0.49	
68,400 Toyota Industries	531,414	2.57	
Household goods & home construction	764,427	3.70	0.00
127,600 ST	196,659	0.95	
240,600 Sumitomo Forestry	567,768	2.75	
Leisure goods	1,690,004	8.18	6.16
380,800 Nikon	605,380	2.93	
178,600 Sanrio	653,074	3.16	
149,500 Yamaha Motor	431,550	2.09	
Personal goods	0	0.00	1.61
Media	546,390	2.65	1.50
119,600 Kadokawa	360,978	1.75	
115,000 TBS	185,412	0.90	
Beverages	324,908	1.57	2.51
142,000 Kirin	324,908	1.57	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 ¥'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Food producers	289,724	1.40	3.48
279,186 Yukiguni Maitake	289,724	1.40	
Personal care, drug & grocery stores	486,769	2.36	0.63
564,700 Axxzia	486,769	2.36	
Construction & materials	775,376	3.75	7.21
557,100 Hitachi Zosen	490,016	2.37	
101,900 Kyudenko	285,360	1.38	
Electronic & electrical equipment	1,728,598	8.37	11.00
53,100 Hamamatsu Photonics	313,584	1.52	
138,800 MinebeaMitsumi	333,884	1.62	
267,000 Nippon Pillar Packing	694,824	3.36	
228,000 Ushio	386,306	1.87	
General industrials	520,508	2.52	2.29
200,700 Noritsu Koki	520,508	2.52	
Industrial engineering	687,637	3.33	2.99
59,700 Nabtesco	196,817	0.95	
859,300 Nippon Thompson	490,820	2.38	
Industrial support services	2,421,801	11.72	9.17
439,500 BeNext-Yumeshin	720,879	3.49	
84,600 Central Security Patrols	211,950	1.02	
397,800 Credit Saison	694,713	3.36	
97,800 dip	352,948	1.71	
436,600 Relia	441,311	2.14	
Industrial transportation	2,652,758	12.84	18.64
170,400 Kamigumi	463,962	2.25	
153,400 Kawasaki Heavy Industries	414,822	2.01	
60,300 Keisei Electric Railway	233,411	1.13	
472,300 Namura Shipbuilding	285,627	1.38	
548,100 Nippon Signal	510,336	2.47	
99,200 Sakai Moving Service	456,325	2.21	
132,700 Yamato	288,275	1.39	
Industrial metals & mining	0	0.00	2.25

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 ¥'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Chemicals	1,817,760	8.80	11.27
78,100 Earth	424,533	2.05	
228,200 Showa Denko	488,939	2.37	
72,200 Sumitomo Bakelite	317,350	1.54	
195,300 T Hasegawa	586,938	2.84	
Total portfolio	20,188,710	97.74	98.95
Net other assets/(liabilities)	466,639	2.26	1.05
Net assets attributable to shareholders	20,655,349	100.00	100.00

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

Portfolio statement

Top ten portfolio transactions for the year to 31 August 2022

Largest purchases	¥'000
Honda Motor	860,273
Kawasaki Heavy Industries	765,560
Axxzia	723,342
Nippon Signal	618,148
KYB	612,961
Toyota Industries	607,768
Tazmo	602,361
Showa Denko	591,402
Sparx	541,964
Yamaha Motor	530,123
Other purchases	12,494,205
Total purchases	18,948,107

Largest sales	¥'000
Kintetsu World Express	1,174,762
Nippon Pillar Packing	827,228
Namura Shipbuilding	812,223
Tokyo Steel Manufacturing	514,465
Isuzu Motors	493,805
SUMCO	465,801
Hitachi Zosen	464,280
Sanrio	446,181
Fuji Electric	428,090
Sankyu	425,990
Other sales	9,188,922
Total sales	15,241,747

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

Financial highlights

Fund performance

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

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit the website at www.mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

On 24 June 2022, the Sterling Class 'X' Income and Sterling Class 'X' Accumulation shares were merged into the equivalent Sterling Class 'A' Income and Sterling Class 'A' Accumulation shares.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	+3.8	+13.6	+5.2	+13.6
Class 'A' Accumulation	+3.8	+13.6	+5.2	+13.6
Class 'I' Income	+4.2	+14.1	+5.8	+14.3
Class 'I' Accumulation	+4.2	+14.1	+5.8	+14.3
Class 'PP' Income	+4.5	n/a	n/a	n/a
Class 'PP' Accumulation	+4.5	n/a	n/a	n/a
Class 'R' Income	+4.0	+13.8	+5.6	+14.0
Class 'R' Accumulation	+4.0	+13.8	+5.6	+14.0
Class 'X' Income	-5.2	+10.9	+3.5	+12.8
Class 'X' Accumulation	-5.2	+10.9	+3.5	+12.8
Benchmark^b	-4.3	+2.5	+2.2	+10.0

^a Not annualised.

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

Specific share class performance

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

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 15 May 1984.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	620.45	443.42	458.90
Return before operating charges	31.28	194.72	1.37
Operating charges	(7.84)	(7.53)	(6.36)
Return after operating charges	23.44	187.19	(4.99)
Distributions	(14.28)	(10.16)	(10.49)
Closing NAV	629.61	620.45	443.42
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.34	0.35	0.46
Dilution adjustments	(0.23)	(0.16)	(0.06)
Total direct transaction costs	0.11	0.19	0.40
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.03	0.09
Operating charges	1.28	1.34	1.40
Return after charges	+3.78	+42.22	-1.09
Other information			
Closing NAV (¥'000)	616,884	3,066,026	2,612,570
Number of shares	608,155	3,264,134	4,203,733
Highest share price (UK p)	677.49	646.95	502.79
Lowest share price (UK p)	570.71	435.12	339.56

Sterling Class 'A' Accumulation share performance

The share class was launched on 15 May 1984.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	723.73	508.90	514.41
Return before operating charges	36.03	223.62	1.64
Operating charges	(8.83)	(8.79)	(7.15)
Return after operating charges	27.20	214.83	(5.51)
Distributions	(8.00)	(3.21)	(4.78)
Retained distributions	8.00	3.21	4.78
Closing NAV	750.93	723.73	508.90
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.40	0.42	0.52
Dilution adjustments	(0.27)	(0.19)	(0.06)
Total direct transaction costs	0.13	0.23	0.46
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.03	0.09
Operating charges	1.22	1.34	1.40
Return after charges	+3.76	+42.21	-1.07
Other information			
Closing NAV (¥'000)	1,706,313	1,139,686	821,695
Number of shares	1,410,395	1,040,180	1,152,023
Highest share price (UK p)	790.12	742.48	563.69
Lowest share price (UK p)	665.59	499.37	380.70

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	3,133.69	2,229.42	2,295.69
Return before operating charges	156.99	981.84	6.88
Operating charges	(25.55)	(26.38)	(20.54)
Return after operating charges	131.44	955.46	(13.66)
Distributions	(72.25)	(51.19)	(52.61)
Closing NAV	3,192.88	3,133.69	2,229.42
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	1.75	1.85	2.32
Dilution adjustments	(1.20)	(0.83)	(0.28)
Total direct transaction costs	0.55	1.02	2.04
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.03	0.09
Operating charges	0.81	0.90	0.90
Return after charges	+4.19	+42.86	-0.60
Other information			
Closing NAV (¥'000)	2,248,538	847,789	474,000
Number of shares	437,120	178,704	151,693
Highest share price (UK p)	3,422.32	3,265.63	2,520.18
Lowest share price (UK p)	2,891.71	2,187.85	1,703.32

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	3,604.44	2,523.14	2,537.79
Return before operating charges	180.26	1,111.07	8.01
Operating charges	(29.82)	(29.77)	(22.66)
Return after operating charges	150.44	1,081.30	(14.65)
Distributions	(53.97)	(29.68)	(35.97)
Retained distributions	53.97	29.68	35.97
Closing NAV	3,754.88	3,604.44	2,523.14
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	2.00	2.09	2.57
Dilution adjustments	(1.37)	(0.94)	(0.31)
Total direct transaction costs	0.63	1.15	2.26
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.03	0.09
Operating charges	0.83	0.90	0.90
Return after charges	+4.17	+42.86	-0.58
Other information			
Closing NAV (¥'000)	11,539,074	8,916,204	4,426,516
Number of shares	1,907,470	1,633,973	1,251,696
Highest share price (UK p)	3,935.69	3,695.82	2,786.43
Lowest share price (UK p)	3,325.49	2,476.06	1,883.28

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 28 June 2021.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p
Opening NAV	99.74	100.00
Return before operating charges	5.00	(0.05)
Operating charges	(0.60)	(0.11)
Return after operating charges	4.40	(0.16)
Distributions	(2.30)	(0.10)
Closing NAV	101.84	99.74
Direct transaction costs	UK p	UK p
Costs before dilution adjustments	0.06	0.07
Dilution adjustments	(0.04)	(0.01)
Total direct transaction costs	0.02	0.06
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.03
Operating charges	0.60	0.60
Return after charges	+4.41	-0.16
Other information		
Closing NAV (¥'000)	1,363,384	3,022
Number of shares	8,309,530	20,010
Highest share price (UK p)	108.93	102.33
Lowest share price (UK p)	92.22	96.67

Sterling Class 'PP' Accumulation share performance

The share class was launched on 28 June 2021.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p
Opening NAV	99.84	100.00
Return before operating charges	5.02	(0.05)
Operating charges	(0.61)	(0.11)
Return after operating charges	4.41	(0.16)
Distributions	(1.72)	0.00
Retained distributions	1.72	0.00
Closing NAV	104.25	99.84
Direct transaction costs	UK p	UK p
Costs before dilution adjustments	0.06	0.07
Dilution adjustments	(0.04)	(0.01)
Total direct transaction costs	0.02	0.06
Performance and charges	%	%
Direct portfolio transaction costs	0.02	0.03
Operating charges	0.60	0.60
Return after charges	+4.42	-0.16
Other information		
Closing NAV (¥'000)	2,719,343	3,023
Number of shares	16,191,195	20,000
Highest share price (UK p)	109.03	102.33
Lowest share price (UK p)	92.31	96.67

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	309.33	220.63	227.76
Return before operating charges	15.49	97.05	0.67
Operating charges	(3.33)	(3.29)	(2.59)
Return after operating charges	12.16	93.76	(1.92)
Distributions	(7.12)	(5.06)	(5.21)
Closing NAV	314.37	309.33	220.63
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.17	0.18	0.23
Dilution adjustments	(0.12)	(0.08)	(0.03)
Total direct transaction costs	0.05	0.10	0.20
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.03	0.09
Operating charges	1.08	1.15	1.15
Return after charges	+3.93	+42.50	-0.84
Other information			
Closing NAV (¥'000)	54,566	46,529	30,474
Number of shares	107,735	99,358	98,547
Highest share price (UK p)	337.79	322.47	249.78
Lowest share price (UK p)	284.87	216.51	168.76

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	352.27	247.21	249.27
Return before operating charges	17.59	108.75	0.78
Operating charges	(3.80)	(3.69)	(2.84)
Return after operating charges	13.79	105.06	(2.06)
Distributions	(4.41)	(2.14)	(2.92)
Retained distributions	4.41	2.14	2.92
Closing NAV	366.06	352.27	247.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.20	0.20	0.25
Dilution adjustments	(0.13)	(0.09)	(0.03)
Total direct transaction costs	0.07	0.11	0.22
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.03	0.09
Operating charges	1.08	1.15	1.15
Return after charges	+3.91	+42.50	-0.83
Other information			
Closing NAV (¥'000)	407,247	388,371	240,598
Number of shares	690,533	728,228	694,378
Highest share price (UK p)	384.61	361.33	273.42
Lowest share price (UK p)	324.36	242.60	184.73

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	616.63	440.68	456.08
Return before operating charges	(23.82)	193.61	1.36
Operating charges	(6.25)	(7.56)	(6.33)
Return after operating charges	(30.07)	186.05	(4.97)
Distributions	n/a	(10.10)	(10.43)
NAV of in specie transfer	(586.56)	n/a	n/a
Closing NAV	0.00	616.63	440.68
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.27	0.36	0.46
Dilution adjustments	(0.19)	(0.16)	(0.06)
Total direct transaction costs	0.08	0.20	0.40
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.03	0.09
Operating charges	1.26	1.34	1.40
Return after charges	-4.88	+42.22	-1.09
Other information			
Closing NAV (¥'000)	0	176,775	138,063
Number of shares	0	189,364	223,527
Highest share price (UK p)	673.32	642.96	499.68
Lowest share price (UK p)	567.20	432.44	337.47

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	718.25	505.04	510.51
Return before operating charges	(27.86)	221.91	1.61
Operating charges	(7.30)	(8.70)	(7.08)
Return after operating charges	(35.16)	213.21	(5.47)
Distributions	n/a	(3.18)	(4.75)
Retained distributions	n/a	3.18	4.75
NAV of in specie transfer	(683.09)	n/a	n/a
Closing NAV	0.00	718.25	505.04
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.32	0.41	0.51
Dilution adjustments	(0.22)	(0.18)	(0.06)
Total direct transaction costs	0.10	0.23	0.45
Performance and charges	%	%	%
Direct portfolio transaction costs	0.02	0.03	0.09
Operating charges	1.27	1.34	1.40
Return after charges	-4.90	+42.22	-1.07
Other information			
Closing NAV (¥'000)	0	671,732	482,312
Number of shares	0	617,764	681,367
Highest share price (UK p)	784.13	736.86	559.42
Lowest share price (UK p)	660.54	495.59	377.81

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Statement of total return

for the year to 31 August		2022		2021	
	Note	¥'000	¥'000	¥'000	¥'000
Income					
Net capital gains/(losses)	3		1,395,563		4,680,528
Revenue	5	487,929		253,507	
Expenses	6	(168,041)		(134,002)	
Interest payable and similar charges		(1,601)		(964)	
Net revenue/(expense) before taxation		318,287		118,541	
Taxation	7	(47,488)		(25,097)	
Net revenue/(expense) after taxation			270,799		93,444
Total return before distributions			1,666,362		4,773,972
Distributions	8		(318,786)		(143,446)
Change in net assets attributable to shareholders from investment activities			1,347,576		4,630,526

Statement of change in net assets attributable to shareholders

for the year to 31 August		2022		2021	
		¥'000	¥'000	¥'000	¥'000
Opening net assets attributable to shareholders			15,259,157		9,226,228
Amounts received on issue of shares		9,109,111		4,289,030	
Amounts paid on cancellation of shares		(5,321,977)		(2,982,440)	
			3,787,134		1,306,590
Dilution adjustments			27,673		12,024
Change in net assets attributable to shareholders from investment activities (see above)			1,347,576		4,630,526
Retained distributions on Accumulation shares			233,809		83,789
Closing net assets attributable to shareholders			20,655,349		15,259,157

Interest payable and similar charges of ¥1,601,000 (2021: ¥964,000) has been reclassified from 'Expenses' within the statement of total return.

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Balance sheet

as at 31 August	Note	2022 ¥'000	2021 ¥'000
Assets			
Fixed assets			
Investments		20,188,710	15,098,843
Current assets			
Debtors	9	161,252	46,875
Cash and bank balances	10	453,145	308,597
Total assets		20,803,107	15,454,315
Liabilities			
Creditors			
Distribution payable		(96,934)	(67,714)
Other creditors	11	(50,824)	(127,444)
Total liabilities		(147,758)	(195,158)
Net assets attributable to shareholders		20,655,349	15,259,157

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Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

The fund's functional and presentational currency is the Japanese yen as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2022 ¥'000	2021 ¥'000
Non-derivative securities	1,383,507	4,686,723
Derivative contracts	0	1
Currency gains/(losses)	12,056	(6,196)
Net capital gains/(losses)	1,395,563	4,680,528

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

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for the year to 31 August	2022 ¥'000	% of transaction	2021 ¥'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	18,942,670		12,369,265	
Commissions	5,437	0.03	3,756	0.03
Total purchases after transaction costs	18,948,107		12,373,021	
b) Sales				
Equities				
Equities before transaction costs	15,246,623		11,197,859	
Commissions	(4,876)	0.03	(4,072)	0.04
Total sales after transaction costs	15,241,747		11,193,787	
	2022 ¥'000	% of average NAV	2021 ¥'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	10,313	0.06	7,828	0.06
Total direct portfolio transaction costs	10,313	0.06	7,828	0.06
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.36		0.28

5 Revenue

for the year to 31 August	2022 ¥'000	2021 ¥'000
Bank interest	28	27
Dividends from equity investments: non-taxable	487,901	250,677
Dividends from equity investments: taxable	0	2,505
Interest distributions	0	5
Property distribution: taxable	0	293
Total revenue	487,929	253,507

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6 Expenses

for the year to 31 August	2022 ¥'000	2021 ¥'000
Payable to the ACD or associate		
Annual charge	168,041	134,002
Total expenses	168,041	134,002

Audit fees for the financial year ending 2022 were £11,000 (2021: £10,000) (including VAT), which are covered by the annual charge. Interest payable and similar charges of ¥1,601,000 (2021: ¥964,000) has been reclassified from 'Expenses' within the statement of total return.

7 Taxation

for the year to 31 August	2022 ¥'000	2021 ¥'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	47,488	25,097
Deferred tax (note 7c)	0	0
Total taxation	47,488	25,097
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	318,287	118,541
Corporation tax at 20%	63,657	23,708
Effects of:		
Dividends from equity investments: non-taxable	(97,580)	(50,136)
Current year expenses not utilised	33,923	26,522
Withholding tax	47,488	25,097
Overseas tax expensed	0	(94)
Total tax charge (note 7a)	47,488	25,097
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of ¥651,193,000 (2021: ¥617,270,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

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8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 31 August	2022		2021	
	Inc ¥'000	Acc ¥'000	Inc ¥'000	Acc ¥'000
Dividend distributions				
Final	96,934	233,809	67,714	83,789
Total net distributions		330,743		151,503
Income deducted on cancellation of shares		95,036		19,647
Income received on issue of shares		(106,993)		(27,704)
Distributions		318,786		143,446
Net revenue/(expense) per statement of total return		270,799		93,444
Expenses offset against capital		47,987		50,002
Undistributed income brought forward		3		3
Undistributed income carried forward		(3)		(3)
Distributions		318,786		143,446

9 Debtors

as at 31 August	2022 ¥'000	2021 ¥'000
Amounts receivable on issues of shares	56,787	15,222
Currency deals outstanding	25,435	17,031
Dividends receivable	40,620	14,622
Sales awaiting settlement	38,410	0
Total debtors	161,252	46,875

10 Cash and bank balances

as at 31 August	2022 ¥'000	2021 ¥'000
Cash held as bank balances	453,145	308,597
Total cash and bank balances	453,145	308,597

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11 Other creditors

as at 31 August	2022 ¥'000	2021 ¥'000
Amounts payable on cancellation of shares	1,615	2,176
Annual charge payable	793	9,410
Currency deals outstanding	25,227	17,063
Purchases awaiting settlement	20,205	85,769
Payable to M&G (Lux) Japan Smaller Companies Fund	2,984	13,026
Total other creditors	50,824	127,444

12 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2021: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.09.21	Issued	Movements Cancelled	Converted	Closing 31.08.22
Sterling					
Class 'A' Income	3,264,134	512,099	(3,338,865)	170,787	608,155
Class 'A' Accumulation	1,040,180	23,482	(104,828)	451,561	1,410,395
Class 'I' Income	178,704	283,653	(25,237)	0	437,120
Class 'I' Accumulation	1,633,973	554,898	(281,401)	0	1,907,470
Class 'PP' Income	20,010	8,307,491	(17,971)	0	8,309,530
Class 'PP' Accumulation	20,000	17,039,165	(867,970)	0	16,191,195
Class 'R' Income	99,358	18,911	(10,534)	0	107,735
Class 'R' Accumulation	728,228	107,543	(145,238)	0	690,533
Class 'X' Income	189,364	6,878	(24,398)	(171,844)	0
Class 'X' Accumulation	617,764	11,254	(174,013)	(455,005)	0

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

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14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge to 26.04.22 %	Annual charge from 27.04.22 %
Sterling		
Class 'A'	1.30	1.10
Class 'I'	0.90	0.70
Class 'PP'	0.60	0.60
Class 'R'	1.15	0.95
Class 'X'	1.30	1.10

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 0.34% (2021: 35.78%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

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Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 August	Assets 2022	Liabilities 2022	Assets 2021	Liabilities 2021
Basis of valuation	¥'000	¥'000	¥'000	¥'000
Level 1	20,188,710	0	15,098,843	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	20,188,710	0	15,098,843	0

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by ¥1,009,436,000 (2021: ¥754,942,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

20 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

21 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

22 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.21	31.08.22	01.09.22	31.10.22

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income

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Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	8.6137	5.6674	14.2811	10.1598

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	2.5242	5.4787	8.0029	3.2054

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	23.6566	48.5977	72.2543	51.1936

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	23.8939	30.0767	53.9706	29.6769

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	1.0418	1.2604	2.3022	0.0996

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	0.6780	1.0417	1.7197	0.0000

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Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	3.1038	4.0209	7.1247	5.0604

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	1.9666	2.4454	4.4120	2.1370

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	n/a	n/a	n/a	10.0972

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	n/a	n/a	n/a	3.1808

23 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

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For the purposes of these financial statements, the prospectus dated 29 July 2022 has been used.

Investment objective

The fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the S&P 500 Index over any five-year period; and
- To provide an income stream that increases every year in USD terms.

Investment policy

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

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

The fund manager aims to create a diversified portfolio with exposure to a broad range of sectors.

Companies with different drivers of dividend growth are selected to construct a portfolio that has the potential to cope in a variety of market conditions.

Benchmark

Benchmark: S&P 500 Index.

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

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

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

Risk profile

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



The above number:

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

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Investment review

For the year ended 31 August 2022

Distribution summary

Over the 12-month review period to 31 August 2022, the fund distributed income of 46.9428 pence per Sterling Class 'A' Income share. This represents a 14.4% increase from last year. The Sterling Class 'I' Income share distributed 57.6742 pence, which is 15.1% higher than a year ago. In US dollars, the currency in which the fund's income objective is determined, the distribution rose 3.4% from last year for the Sterling Class 'A' Income share and 4.0% for the Sterling Class 'I' Income share. The higher growth rate for the sterling share classes was due to the weakness of sterling.

The momentum in US dividends continued during the 12 months under review as corporate cashflows recovered from the dark days of the pandemic. Despite the new challenges facing the global economy, most notably the onset of inflation and the spike in energy prices following Russia's invasion of Ukraine, corporate America has remained resilient. Dividends continue to provide a strong signal of corporate confidence. (Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.)

Against this backdrop, the fund benefited from higher dividends across a broad range of sectors. In contrast to previous years when the majority of holdings delivered dividend increases in the region of 5% to 15%, we continued to see an unusually high number of companies raising their dividends by 15% or more. There were no dividend cuts.

We have been encouraged by the robust dividend growth from the fund's top holdings, many of which are technology stocks. Microsoft extended its long sequence of dividend growth with an 11% increase, while Visa, Mastercard and Fidelity National Information Services (FIS) reported double-digit increases in digital payments. Broadcom and Lam Research raised their dividends by 14% and 15%, respectively, in semiconductors.

Healthcare was another source of reliable growth as UnitedHealth and Elevance Health reported double-digit increases. In financials, BlackRock accelerated its pace of dividend growth with an 18% increase, up from 14% in the previous year, while Charles Schwab raised its dividend twice during the year with an annualised growth rate of 22%.

Tractor Supply provided the biggest dividend hike during the review period as the specialist retailer, which serves rural and agricultural communities, raised its dividend by 77%. Lowe's, the home improvement retailer, boosted its dividend by 31%.

It was not all good news, however, as ONEOK held its dividend flat. Dividend progress for the energy infrastructure company stalled in the wake of the global pandemic, but we envisage a return to dividend growth at the appropriate time.

Static dividends were the exception rather than the rule and we are pleased that the majority of the fund's holdings continued to deliver solid, and in many cases impressive, dividend growth. We remain vigilant about the dividend outlook, particularly in light of the geopolitical situation in Ukraine and the potential impact of higher interest rates on economic activity and consumer spending. While caution is appropriate in the current circumstances, we continue to believe that the fund is well placed to deliver on its objective of providing a rising income stream.

Performance against objective

Between 1 September 2021 (the start of the review period) and 31 August 2022, the fund delivered a positive total return (the combination of income and growth of capital) across its unhedged share classes and outperformed the S&P 500 Index, which returned 5.0% in sterling. The hedged share classes generated a negative return and underperformed the S&P 500 Index.

Over five years, the fund generated positive returns across all its share classes, but lagged behind the S&P 500 Index which delivered an annualised return of 14.1% in sterling. Therefore the fund did not meet the objective of providing a higher total return, net of the

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ongoing charge figure, than that of the S&P 500 Index over any five-year period.

The fund delivered on the objective of growing the distribution every year in US dollars.

The growth in distributed income for the Sterling Class 'A' Income share and the Sterling Class 'I' Income share was 3.5% and 4.0% in US dollars, respectively, during the 12 months under review.

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

Performance review

Higher volatility was the key feature of the US stockmarket during the 12 months under review. The major indices – the S&P 500 Index, Dow Jones Industrial Average and Nasdaq Composite – reached all-time highs in the first half of the review period before reversing gains as concerns about inflation were compounded by geopolitical risk arising from the conflict in Ukraine. All three indices declined in US dollars, but the S&P 500 Index and Dow Jones Industrial Average rose in sterling due to the weakness of the currency.

Energy was the standout performer as the oil price surged. The sector doubled in value in sterling. Defensive stocks benefited from a flight to quality in an environment of heightened uncertainty. Utilities, consumer staples and healthcare outperformed. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.) Industrials and materials outperformed among the more economically sensitive areas of the market, but financials underperformed, not helped by the weakness in banks. Technology, the largest sector represented in the S&P 500 Index, was another notable laggard as Apple's gain in hardware was counterbalanced by the declines in semiconductors and software. Communication services led the detractors as shares of Meta Platforms, the company formerly known as Facebook, halved.

Against this backdrop, the fund's unhedged share classes generated a positive return and outperformed its benchmark, the S&P 500 Index. Stock selection was the key driver of excess return, with the strongest contribution from healthcare. Sector allocation added value, helped by an overweight in energy and an underweight in communication services.

Elevance Health and UnitedHealth made the biggest positive contribution to fund performance, backed by strong fundamentals. The managed care organizations reported better-than-expected results throughout the course of the year and continued their momentum into 2022.

ONEOK outperformed in a buoyant energy sector, while Broadcom added value in semiconductors. Sysco shares climbed to an all-time high as the food service company, a supplier to restaurants, benefited from the reopening theme.

FIS underperformed as growth characteristics were out of favour in an environment of rising bond yields. Yields measure the return on debt securities, also known as bonds, and are usually expressed as a percentage of the bond's market value, or price. When interest rates rise, yields rise and bond prices fall, as investors demand more in return for taking the risk of investing in securities. We continue to believe that the software company is well placed to benefit from the structural trends in digital payments. BlackRock's share price suffered from the extremely challenging circumstances in financial markets, although the investment manager continued to see inflows across its product range. Lam Research declined, in keeping with the weakness in semiconductor stocks. The long-term investment case for these industry leaders remains intact for us, and they remain core holdings.

The fund's zero exposure to Apple provided the biggest drag on performance relative to the S&P 500 Index. Not owning Exxon Mobil and Chevron also proved unhelpful. Apple, which we sold in November 2020, remains a potential investment candidate because the technology bellwether has a respectable dividend track record, but we see better opportunities for growth that are more

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attractively priced elsewhere. Exxon Mobil and Chevron have a long history of dividend growth across economic cycles, but we have long-term concerns about the oil majors, from both a fundamental and a sustainability perspective.

Investment activities

We made 10 new purchases and eight complete sales during the 12-month review period, a level of turnover consistent with our long-term investment horizon of three to five years. The number of holdings increased to 43.

We were particularly active in 2022 as we thought the market downturn provided buying opportunities for structural growth at valuations not seen in many years. We initiated holdings in TransUnion and Equifax, credit bureaus which benefit from high barriers to entry (their datasets are difficult to replicate and often highly regulated). We believe that cash generation for these companies is at an inflexion point after a period of high investment, which should result in more excess cash being returned to shareholders in the years to come. We also bought Intuit, a technology company which specialises in financial software for consumers and small businesses, and First Republic Bank, which has a long history of consistent growth driven by the wealth creation in some of the most affluent regions in the US.

The purchases of American Express and Estee Lauder were driven by our confidence in the high-end US consumer. We bought WW Grainger in industrials, which has a long history of dividend growth across economic cycles. The best-in-class operator has increased the dividend every year for 51 years.

Costco Wholesale and Motorola Solutions provided additional exposure to the quality component of the portfolio. We also bought VF Corp, a value opportunity in consumer discretionary, during the earlier part of the review period.

Progressive Corp (financials) and Lundin Mining (materials) were sold as a source of cash, as well as Union Pacific (industrials), Automatic Data Processing (technology) and Carrier Global (industrials). Activision Blizzard (communication services) exited the portfolio

after the digital gaming company received a takeover bid. Broadridge Financial Solutions (technology) and Agilent Technologies (healthcare) exited the portfolio as we did not have the conviction to build full-sized positions in these small holdings.

We also reduced exposure to strong performers including Elevance Health and UnitedHealth, as well as ONEOK and Methanex, our energy-related holdings. We added to Mastercard to back our conviction in the long-term growth trajectory in digital payments, and Broadcom, which presents a rare yield opportunity in the semiconductor industry. The long-term investment case for these structurally advantaged companies remains unchanged.

Outlook

Hawkish comments from Federal Reserve Chairman Jerome Powell have done little to quell concerns about the path of the US economy. Higher interest rates, persistent inflation, and their knock-on effects on the housing market and consumer spending have led many to believe that a recession is imminent. These challenges require careful consideration – for example, we remain confident about the prospects and spending habits of affluent consumers – but it is also important to distinguish between the economy and the discounting mechanism that the financial markets provide. We strongly believe that the increased volatility in the stockmarket is presenting attractive entry points for investors with a long-term time horizon.

We remain resolute in our belief that company fundamentals drive share prices in the long run and remain focused in our task of identifying long-term winners. To this end, we embarked on our first research trip to the US since the pandemic and visited a variety of companies on the West Coast and in the Midwest, to deepen our understanding of interesting businesses that in our view have been dismissed by the stockmarket, to meet the management teams and to see the operational facilities with our own eyes. We are hopeful that our time with these potential investment candidates will lead to new ideas in the portfolio.

Authorised Corporate Director's Report

In the meantime, we are unrelenting in our positive view on digital payments. We have a high degree of confidence that the structural trend behind this multi-decade theme is not only intact, but accelerating due to permanent changes in consumer behaviour. The ease of online purchases and delivery is unlikely to be a temporary phenomenon, in our view, restricted to life in lockdown. The long-run shift away from cash transactions towards card and digital payments shows no signs of abating. Visa and Mastercard continued to beat expectations in the latest reporting season and we think they remain well placed to benefit from a further recovery in international travel.

We also retain our conviction in our semiconductor holdings, which are exposed to improving demand in a variety of end markets, without the excessive valuations attached to many growth stocks. Valuation remains a critical aspect of our company analysis to ensure that we do not overpay for the growth we seek.

The savage fall in value of growth in the current market environment underscores the importance of valuation. Speculative areas of the market have seen their unrealistic expectations reined back, but valuations remain polarised. Being selective will be paramount. We continue to believe that the majority of our holdings can sustain dividend growth in the 5-15% range over the long term, while offering an attractive yield. We are undeterred in our pursuit of dividend growth and remain committed to its viability not only as a source of rising income, but also as a total return strategy in the US market over the long term.

John Weavers

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities	774,532	98.09	99.32
Oil, gas & consumable fuels	24,776	3.14	4.38
722,489 Gibson Energy	13,914	1.76	
171,938 ONEOK	10,862	1.38	
Chemicals	30,376	3.85	3.21
81,223 Air Products & Chemicals	20,821	2.64	
255,335 Methanex	9,555	1.21	
Metals & mining	0	0.00	0.37
Building products	0	0.00	1.48
Machinery	9,571	1.21	0.39
51,100 Caterpillar	9,571	1.21	
Trading companies & distributors	6,685	0.85	0.00
11,984 WW Grainger	6,685	0.85	
Professional services	28,071	3.55	0.00
102,193 Equifax	19,426	2.46	
114,010 TransUnion	8,645	1.09	
Road & rail	0	0.00	2.55
Textiles, apparel & luxury goods	15,584	1.97	1.17
69,243 NIKE	7,479	0.95	
192,583 VF	8,105	1.02	
Specialty retail	33,012	4.18	5.97
142,737 Lowe's	28,210	3.57	
25,449 Tractor Supply	4,802	0.61	
Food & staples retailing	31,680	4.01	2.42
11,564 Costco Wholesale	6,076	0.77	
309,410 Sysco	25,604	3.24	
Food products	4,952	0.63	2.15
79,961 Mondelēz International	4,952	0.63	
Personal products	4,477	0.57	0.00
17,364 Estee Lauder	4,477	0.57	
Health care equipment & supplies	3,468	0.44	0.81
33,897 Abbott Laboratories	3,468	0.44	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Health care providers & services			
39,956 Elevance Health	19,522	2.47	
53,793 UnitedHealth	28,200	3.57	
Pharmaceuticals			
213,826 Merck	18,578	2.35	
Life sciences tools & services			
19,551 Thermo Fisher Scientific	10,859	1.38	
Banks			
28,375 First Republic Bank	4,353	0.55	
140,977 JPMorgan Chase	16,128	2.04	
Consumer finance			
82,087 American Express	12,731	1.61	0.00
Capital markets			
56,480 Blackrock	38,047	4.82	
187,461 Charles Schwab	13,701	1.73	
23,287 S&P Global	8,293	1.05	
Insurance			
	0	0.00	0.52
IT services			
445,672 FIS	41,401	5.24	
199,785 MasterCard	65,663	8.32	
203,316 Visa	41,016	5.19	
Software			
18,300 Intuit	7,936	1.01	
264,138 Microsoft	69,675	8.82	
Communications equipment			
20,752 Motorola Solutions	5,097	0.65	0.00
Semiconductors & semiconductor equipment			
71,572 Broadcom	36,385	4.61	
38,655 KLA	13,483	1.70	
68,283 Lam Research	30,350	3.84	
59,758 NXP Semiconductors	9,936	1.26	
140,407 QUALCOMM	18,774	2.38	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Diversified telecommunication services			
431,697 Cogent Communications	22,867	2.90	1.44
Entertainment			
	0	0.00	2.21
Electric utilities			
69,452 NextEra Energy	5,964	0.76	1.02
Equity real estate investment trusts (REITs)			
102,870 American Tower	26,116	3.31	5.81
52,245 Crown Castle	8,902	1.13	
12,032 Equinix	7,903	1.00	
Portfolio of investments	774,532	98.09	99.32
Share class hedging			
	(48)	(0.01)	0.00
Forward currency contracts for share class hedging			
	(48)	(0.01)	0.00
£2,603,367 Bought for \$3,075,117 (expires 21.09.22)	(50)	(0.01)	
£(187,105) Sold for \$219,497 (expires 21.09.22)	2	0.00	
£44,015 Bought for C\$67,534 (expires 21.09.22)	0	0.00	
CA\$175 Bought for £114 (expires 21.09.22)	0	0.00	
Total portfolio	774,484	98.08	99.32
Net other assets/(liabilities)	15,176	1.92	0.68
Net assets attributable to shareholders	789,660	100.00	100.00

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

Portfolio statement

Top ten portfolio transactions for the year to 31 August 2022

Largest purchases	\$'000
MasterCard	39,912
Equifax	25,196
Cogent Communications	16,308
Visa	15,035
VF	14,240
American Express	13,358
TransUnion	12,179
Blackrock	11,406
FIS	10,894
Air Products & Chemicals	9,932
Other purchases	103,065
Total purchases	271,525

Largest sales	\$'000
Visa	28,655
Union Pacific	27,593
Elevance Health	27,365
UnitedHealth	26,925
Activision Blizzard	23,731
ONEOK	23,563
Lowe's	19,789
Mondelēz International	16,529
NXP Semiconductors	15,517
Automatic Data Processing	13,948
Other sales	144,479
Total sales	368,094

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

Financial highlights

Fund performance

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

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at www.mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

On 24 June 2022, the Sterling Class 'X' Income and Sterling Class 'X' Accumulation shares were merged into the equivalent Sterling Class 'A' Income and Sterling Class 'A' Accumulation shares.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	+9.4	+11.9	+13.2	+14.9
Class 'A' Accumulation	+9.4	+11.9	+13.2	+14.9
Class 'I' Income	+9.8	+12.4	+13.9	+15.6
Class 'I' Accumulation	+9.8	+12.4	+13.9	+15.6
Class 'I-H' Income	-8.1	n/a	n/a	n/a
Class 'I-H' Accumulation	-8.1	n/a	n/a	n/a
Class 'PP' Income	+9.9	+12.5	n/a	n/a
Class 'PP' Accumulation	+9.9	+12.5	n/a	n/a
Class 'PP-H' Income	+9.9	+12.5	n/a	n/a
Class 'PP-H' Accumulation	-8.0	n/a	n/a	n/a
Class 'R' Income	-8.0	+12.1	+13.6	+15.3
Class 'R' Accumulation	+9.5	+12.1	+13.6	+15.3
Class 'X' Income	+0.6	+9.4	+11.8	+14.2
Class 'X' Accumulation	+0.6	+9.4	+11.8	+14.2
Benchmark	+5.0	+14.1	+14.1	+16.6

^a Not annualised.

Specific share class performance

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

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 28 March 1977.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,809.30	2,286.43	2,268.86
Return before operating charges	285.86	590.93	84.99
Operating charges	(27.88)	(27.02)	(26.21)
Return after operating charges	257.98	563.91	58.78
Distributions	(46.94)	(41.04)	(41.21)
Closing NAV	3,020.34	2,809.30	2,286.43
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.60	0.61	0.74
Dilution adjustments	(0.38)	(0.44)	(0.37)
Total direct transaction costs	0.22	0.17	0.37
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.95	1.06	1.20
Return after charges	+9.18	+24.66	+2.59
Other information			
Closing NAV (\$'000)	103,018	114,146	93,279
Number of shares	2,936,311	2,950,929	3,066,620
Highest share price (UK p)	3,182.50	2,825.02	2,413.52
Lowest share price (UK p)	2,691.01	2,221.36	1,699.17

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 December 1972.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	4,083.98	3,272.35	3,187.64
Return before operating charges	417.58	850.50	121.75
Operating charges	(40.50)	(38.87)	(37.04)
Return after operating charges	377.08	811.63	84.71
Distributions	(26.17)	(20.77)	(21.93)
Retained distributions	26.17	20.77	21.93
Closing NAV	4,461.06	4,083.98	3,272.35
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.88	0.88	1.04
Dilution adjustments	(0.55)	(0.63)	(0.52)
Total direct transaction costs	0.33	0.25	0.52
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.95	1.06	1.20
Return after charges	+9.23	+24.80	+2.66
Other information			
Closing NAV (\$'000)	134,662	119,714	105,120
Number of shares	2,598,674	2,128,919	2,414,691
Highest share price (UK p)	4,669.69	4,081.92	3,403.39
Lowest share price (UK p)	3,923.81	3,179.21	2,405.65

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	3,440.82	2,787.80	2,752.60
Return before operating charges	350.74	722.37	103.87
Operating charges	(19.79)	(19.22)	(18.56)
Return after operating charges	330.95	703.15	85.31
Distributions	(57.72)	(50.13)	(50.11)
Closing NAV	3,714.05	3,440.82	2,787.80
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.74	0.74	0.90
Dilution adjustments	(0.47)	(0.53)	(0.45)
Total direct transaction costs	0.27	0.21	0.45
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.55	0.62	0.70
Return after charges	+9.62	+25.22	+3.10
Other information			
Closing NAV (\$'000)	175,906	211,496	267,340
Number of shares	4,077,324	4,464,144	7,208,368
Highest share price (UK p)	3,913.03	3,460.02	2,935.06
Lowest share price (UK p)	3,302.38	2,710.77	2,067.28

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	3,968.50	3,165.54	3,068.30
Return before operating charges	406.71	824.86	118.07
Operating charges	(22.93)	(21.90)	(20.83)
Return after operating charges	383.78	802.96	97.24
Distributions	(42.99)	(35.59)	(35.74)
Retained distributions	42.99	35.59	35.74
Closing NAV	4,352.28	3,968.50	3,165.54
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.86	0.85	1.01
Dilution adjustments	(0.54)	(0.60)	(0.51)
Total direct transaction costs	0.32	0.25	0.50
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.55	0.62	0.70
Return after charges	+9.67	+25.37	+3.17
Other information			
Closing NAV (\$'000)	299,227	328,810	316,182
Number of shares	5,918,724	6,017,503	7,507,995
Highest share price (UK p)	4,555.25	3,966.50	3,283.76
Lowest share price (UK p)	3,820.27	3,078.07	2,322.13

Financial highlights

Sterling Class 'I-H' Income share performance

The share class was launched on 6 December 2019.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	133.48	105.02	100.00
Return before operating charges	(10.12)	31.19	6.92
Operating charges	(0.76)	(0.77)	(0.51)
Return after operating charges	(10.88)	30.42	6.41
Distributions	(2.03)	(1.96)	(1.39)
Closing NAV	120.57	133.48	105.02
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.02
Dilution adjustments	(0.02)	(0.02)	(0.01)
Total direct transaction costs	0.01	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.58	0.65	0.73
Return after charges	-8.15	+28.97	+6.41
Other information			
Closing NAV (\$'000)	57	68	74
Number of shares	40,956	37,166	52,984
Highest share price (UK p)	144.68	134.23	108.23
Lowest share price (UK p)	114.28	98.86	67.20

Sterling Class 'I-H' Accumulation share performance

The share class was launched on 6 December 2019.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	137.90	106.77	100.00
Return before operating charges	(10.48)	31.92	7.28
Operating charges	(0.79)	(0.79)	(0.51)
Return after operating charges	(11.27)	31.13	6.77
Distributions	(1.31)	(1.24)	(0.87)
Retained distributions	1.31	1.24	0.87
Closing NAV	126.63	137.90	106.77
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.02
Dilution adjustments	(0.02)	(0.02)	(0.01)
Total direct transaction costs	0.01	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.58	0.63	0.73
Return after charges	-8.17	+29.16	+6.77
Other information			
Closing NAV (\$'000)	2,068	1,434	550
Number of shares	1,406,052	755,452	387,032
Highest share price (UK p)	149.94	137.83	108.23
Lowest share price (UK p)	119.22	100.50	67.37

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	126.25	102.15	100.71
Return before operating charges	12.88	26.51	3.80
Operating charges	(0.60)	(0.57)	(0.53)
Return after operating charges	12.28	25.94	3.27
Distributions	(2.13)	(1.84)	(1.83)
Closing NAV	136.40	126.25	102.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.03
Dilution adjustments	(0.02)	(0.02)	(0.02)
Total direct transaction costs	0.01	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.45	0.47	0.55
Return after charges	+9.73	+25.39	+3.25
Other information			
Closing NAV (\$'000)	43,168	76,888	282
Number of shares	27,245,938	44,230,835	207,337
Highest share price (UK p)	143.72	126.95	107.47
Lowest share price (UK p)	121.22	99.36	75.70

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	141.27	112.55	108.93
Return before operating charges	14.49	29.34	4.20
Operating charges	(0.67)	(0.62)	(0.58)
Return after operating charges	13.82	28.72	3.62
Distributions	(1.69)	(1.28)	(1.42)
Retained distributions	1.69	1.28	1.42
Closing NAV	155.09	141.27	112.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.04
Dilution adjustments	(0.02)	(0.02)	(0.02)
Total direct transaction costs	0.01	0.01	0.02
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.45	0.51	0.55
Return after charges	+9.78	+25.52	+3.32
Other information			
Closing NAV (\$'000)	14,757	19,438	44,912
Number of shares	8,191,130	9,992,567	29,995,878
Highest share price (UK p)	162.32	141.20	116.66
Lowest share price (UK p)	136.07	109.47	82.51

Financial highlights

Sterling Class 'PP-H' Income share performance

The share class was launched on 6 December 2019.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	134.23	105.42	100.00
Return before operating charges	(10.18)	31.41	7.22
Operating charges	(0.64)	(0.63)	(0.41)
Return after operating charges	(10.82)	30.78	6.81
Distributions	(2.05)	(1.97)	(1.39)
Closing NAV	121.36	134.23	105.42
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.02
Dilution adjustments	(0.02)	(0.02)	(0.01)
Total direct transaction costs	0.01	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.48	0.52	0.58
Return after charges	-8.06	+29.20	+6.81
Other information			
Closing NAV (\$'000)	28	37	28
Number of shares	20,150	20,150	20,150
Highest share price (UK p)	145.54	134.98	108.26
Lowest share price (UK p)	115.02	99.25	67.18

Sterling Class 'PP-H' Accumulation share performance

The share class was launched on 6 December 2019.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	138.26	106.89	100.00
Return before operating charges	(10.62)	32.01	7.31
Operating charges	(0.63)	(0.64)	(0.42)
Return after operating charges	(11.25)	31.37	6.89
Distributions	(1.43)	(1.36)	(0.98)
Retained distributions	1.43	1.36	0.98
Closing NAV	127.01	138.26	106.89
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.02
Dilution adjustments	(0.02)	(0.02)	(0.01)
Total direct transaction costs	0.01	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.48	0.52	0.58
Return after charges	-8.14	+29.35	+6.89
Other information			
Closing NAV (\$'000)	863	38	29
Number of shares	584,937	20,100	20,100
Highest share price (UK p)	150.32	138.19	108.26
Lowest share price (UK p)	119.58	100.64	67.40

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	338.64	275.07	272.28
Return before operating charges	34.49	71.17	10.23
Operating charges	(2.83)	(2.66)	(2.49)
Return after operating charges	31.66	68.51	7.74
Distributions	(5.67)	(4.94)	(4.95)
Closing NAV	364.63	338.64	275.07
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.07	0.09
Dilution adjustments	(0.05)	(0.05)	(0.04)
Total direct transaction costs	0.02	0.02	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.80	0.86	0.95
Return after charges	+9.35	+24.91	+2.84
Other information			
Closing NAV (\$'000)	2,233	2,721	2,106
Number of shares	527,221	583,512	575,619
Highest share price (UK p)	384.19	340.53	289.98
Lowest share price (UK p)	324.62	267.35	204.20

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	387.86	310.16	301.38
Return before operating charges	39.69	80.71	11.55
Operating charges	(3.25)	(3.01)	(2.77)
Return after operating charges	36.44	77.70	8.78
Distributions	(3.14)	(2.62)	(2.79)
Retained distributions	3.14	2.62	2.79
Closing NAV	424.30	387.86	310.16
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.08	0.08	0.10
Dilution adjustments	(0.05)	(0.06)	(0.05)
Total direct transaction costs	0.03	0.02	0.05
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.80	0.86	0.95
Return after charges	+9.40	+25.05	+2.91
Other information			
Closing NAV (\$'000)	13,673	14,065	10,799
Number of shares	2,774,189	2,633,752	2,617,134
Highest share price (UK p)	444.12	387.66	322.16
Lowest share price (UK p)	372.92	301.46	227.77

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	2,805.29	2,283.15	2,265.62
Return before operating charges	38.17	590.10	84.86
Operating charges	(22.90)	(26.99)	(26.18)
Return after operating charges	15.27	563.11	58.68
Distributions	(26.95)	(40.97)	(41.15)
NAV of in specie transfer	(2,793.61)	n/a	n/a
Closing NAV	0.00	2,805.29	2,283.15
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.49	0.61	0.74
Dilution adjustments	(0.31)	(0.43)	(0.37)
Total direct transaction costs	0.18	0.18	0.37
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.95	1.06	1.20
Return after charges	+0.54	+24.66	+2.59
Other information			
Closing NAV (\$'000)	0	11,679	10,125
Number of shares	0	302,351	333,345
Highest share price (UK p)	3,105.05	2,820.97	2,410.06
Lowest share price (UK p)	2,687.17	2,218.18	1,696.73

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 October 2002. The class was merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	4,024.55	3,224.77	3,141.21
Return before operating charges	53.63	838.07	120.05
Operating charges	(32.96)	(38.29)	(36.49)
Return after operating charges	20.67	799.78	83.56
Distributions	(14.63)	(20.34)	(21.61)
Retained distributions	14.63	20.34	21.61
NAV of in specie transfer	(4,045.22)	n/a	n/a
Closing NAV	0.00	4,024.55	3,224.77
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.71	0.87	1.03
Dilution adjustments	(0.45)	(0.62)	(0.52)
Total direct transaction costs	0.26	0.25	0.51
Performance and charges	%	%	%
Direct portfolio transaction costs	0.01	0.00	0.01
Operating charges	0.95	1.06	1.20
Return after charges	+0.51	+24.80	+2.66
Other information			
Closing NAV (\$'000)	0	50,613	41,404
Number of shares	0	913,356	965,105
Highest share price (UK p)	4,468.01	4,022.51	3,353.83
Lowest share price (UK p)	3,866.71	3,132.99	2,370.62

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Statement of total return

for the year to 31 August	Note	2022		2021	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		(74,029)		227,810
Revenue	5	15,561		17,456	
Expenses	6	(5,919)		(6,850)	
Interest payable and similar charges		0		0	
Net revenue/(expense) before taxation		9,642		10,606	
Taxation	7	(2,036)		(2,381)	
Net revenue/(expense) after taxation			7,606		8,225
Total return before distributions			(66,423)		236,035
Distributions	8		(10,080)		(11,175)
Change in net assets attributable to shareholders from investment activities			(76,503)		224,860

Statement of change in net assets attributable to shareholders

for the year to 31 August	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		951,147		892,230
Amounts received on issue of shares	109,896		177,734	
Amounts paid on cancellation of shares	(199,368)		(348,246)	
		(89,472)		(170,512)
Dilution adjustments		160		240
Change in net assets attributable to shareholders from investment activities (see above)		(76,503)		224,860
Retained distributions on Accumulation shares		4,311		4,329
Unclaimed distributions		17		0
Closing net assets attributable to shareholders		789,660		951,147

Interest payable and similar charges of \$0 (2021: \$0) has been reclassified from 'Expenses' within the statement of total return.

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Balance sheet

as at 31 August	Note	2022 \$'000	2021 \$'000
Assets			
Fixed assets			
Investments		774,534	944,744
Current assets			
Debtors	9	3,907	655
Cash and bank balances	10	2,475	3,504
Cash equivalents		17,517	6,344
Total assets		798,433	955,247
Liabilities			
Investment liabilities		(50)	0
Creditors			
Distribution payable		(2,151)	(2,544)
Other creditors	11	(6,572)	(1,556)
Total liabilities		(8,773)	(4,100)
Net assets attributable to shareholders		789,660	951,147

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

In order to conduct a controlled dividend flow to shareholders, interim distributions will be at the fund manager's discretion, up to the maximum of the distributable income available for the period.

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

3 Net capital gains/(losses)

for the year to 31 August	2022 \$'000	2021 \$'000
Non-derivative securities	(74,060)	227,622
Derivative contracts	(272)	23
Currency gains/(losses)	303	165
Net capital gains/(losses)	(74,029)	227,810

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

Financial statements and notes

for the year to 31 August	2022 \$'000	% of transaction	2021 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	271,448		283,589	
Commissions	77	0.03	88	0.03
Total purchases after transaction costs	271,525		283,677	
b) Sales				
Equities				
Equities before transaction costs	368,197		456,028	
Commissions	(100)	0.03	(126)	0.03
Taxes	(3)	0.00	(7)	0.00
Total sales after transaction costs	368,094		455,895	
	2022 \$'000	% of average NAV	2021 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	177	0.02	214	0.02
Taxes paid				
Equities	3	0.00	7	0.00
Total direct portfolio transaction costs	180	0.02	221	0.02
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.03		0.04

5 Revenue

for the year to 31 August	2022 \$'000	2021 \$'000
Bank interest	1	0
Dividends from equity investments: non-taxable	14,501	16,466
Dividends from equity investments: taxable	0	28
Interest distributions	33	5
Property distribution: taxable	1,023	953
Rebate of ongoing charges from underlying funds	3	4
Total revenue	15,561	17,456

Financial statements and notes

6 Expenses

for the year to 31 August	2022 \$'000	2021 \$'000
Payable to the ACD or associate		
Annual charge	5,919	6,850
Total expenses	5,919	6,850

Audit fees for the financial year ending 2022 were £9,000 (2021: £11,000) (including VAT), which are covered by the annual charge. Interest payable and similar charges of \$0 (2021: \$0) has been reclassified from 'Expenses' within the statement of total return.

7 Taxation

for the year to 31 August	2022 \$'000	2021 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	2,020	2,234
Capital gains tax (US)	16	0
Prior year adjustment	0	147
Deferred tax (note 7c)	0	0
Total taxation	2,036	2,381
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	9,642	10,606
Corporation tax at 20%	1,928	2,121
Effects of:		
Dividends from equity investments: non-taxable	(2,900)	(3,293)
Capital income subject to taxation	21	0
Current year expenses not utilised	986	1,199
Withholding tax	2,020	2,234
Withholding tax expensed	(35)	(27)
Capital gains tax (US)	16	0
Prior year adjustment	0	147
Total tax charge (note 7a)	2,036	2,381
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$44,036,000 (2021: \$43,050,000*) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

*Restated.

Financial statements and notes

8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 31 August	2022		2021	
	Inc \$'000	Acc \$'000	Inc \$'000	Acc \$'000
Dividend distributions				
First interim	1,221	866	1,281	937
Second interim	1,190	811	1,268	870
Third interim	1,068	894	1,249	787
Final	2,151	1,740	2,544	1,735
Total net distributions		9,941		10,671
Income deducted on cancellation of shares		628		1,069
Income received on issue of shares		(489)		(565)
Distributions		10,080		11,175
Net revenue/(expense) per statement of total return		7,606		8,225
Expenses offset against capital		2,463		2,950
Capital gains tax offset against capital		16		0
Income deficit transferred to capital		(5)		0
Distributions		10,080		11,175

9 Debtors

as at 31 August	2022 \$'000	2021 \$'000
Amounts receivable on issues of shares	2,123	0
Currency deals outstanding	1,281	0
Distributions receivable	14	0
Dividends receivable	372	607
Sales awaiting settlement	79	0
Withholding tax recoverable	38	48
Total debtors	3,907	655

10 Cash and bank balances

as at 31 August	2022 \$'000	2021 \$'000
Cash held as bank balances	2,475	3,504
Total cash and bank balances	2,475	3,504

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11 Other creditors

as at 31 August	2022 \$'000	2021 \$'000
Amounts payable on cancellation of shares	875	1,174
Annual charge payable	136	382
Currency deals outstanding	1,277	0
Purchases awaiting settlement	4,284	0
Total other creditors	6,572	1,556

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2021: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.09.21	Issued	Movements Cancelled	Converted	Closing 31.08.22
Sterling					
Class 'A' Income	2,950,929	366,946	(673,221)	291,657	2,936,311
Class 'A' Accumulation	2,128,919	267,293	(648,295)	850,757	2,598,674
Class 'I' Income	4,464,144	328,105	(714,925)	0	4,077,324
Class 'I' Accumulation	6,017,503	965,652	(1,064,431)	0	5,918,724
Class 'I-H' Income	37,166	6,169	(2,379)	0	40,956
Class 'I-H' Accumulation	755,452	771,090	(120,490)	0	1,406,052
Class 'PP' Income	44,230,835	4,035,376	(21,020,273)	0	27,245,938
Class 'PP' Accumulation	9,992,567	1,250,314	(3,051,751)	0	8,191,130
Class 'PP-H' Income	20,150	0	0	0	20,150
Class 'PP-H' Accumulation	20,100	568,072	(3,235)	0	584,937
Class 'R' Income	583,512	39,738	(96,029)	0	527,221
Class 'R' Accumulation	2,633,752	370,804	(230,367)	0	2,774,189
Class 'X' Income	302,351	4,244	(14,522)	(292,073)	0
Class 'X' Accumulation	913,356	19,621	(69,658)	(863,319)	0

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

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14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge %
Sterling	
Class 'A'	0.95
Class 'I'	0.55
Class 'I-H'	0.58
Class 'PP'	0.45
Class 'PP-H'	0.48
Class 'R'	0.80
Class 'X'	0.95

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 2.32% (2021: 2.36%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

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Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 August	Assets 2022 \$'000	Liabilities 2022 \$'000	Assets 2021 \$'000	Liabilities 2021 \$'000
Basis of valuation				
Level 1	774,532	0	944,744	0
Level 2	2	(50)	0	0
Level 3	0	0	0	0
	774,534	(50)	944,744	0

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$38,724,000 (2021: \$47,237,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

A five per cent increase in the value of the fund's currency exposure would have the effect of increasing the return and net assets by \$598,000 (2021: \$1,093,000). A five per cent decrease would have an equal and opposite effect.

as at 31 August	2022 \$'000	2021 \$'000
Currency exposure in respect of the fund		
Canadian dollar	13,863	20,293
Sterling	(1,903)	1,558
US dollar	777,700	929,296
Total	789,660	951,147

20 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

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21 Credit risk

The fund is exposed to credit risk through derivative positions with counterparties.

The tables below show the exposure to counterparties. Collateral is posted daily, in the form of cash or high-quality government bonds, to minimise this exposure.

As at 31 August 2021 the total value of exposure to counterparties was below \$500, therefore rounded to nil.

as at 31 August 2022	Forward currency contracts \$'000
State Street Bank	(48)
Total	(48)

as at 31 August 2021	Forward currency contracts \$'000
State Street Bank	0
Total	0

Exchange rate risk for hedged share classes.

22 Dividend distribution tables

This fund pays quarterly ordinary distributions and the following table sets out the distribution periods.

Quarterly distribution periods

	Start	End	Xd	Payment
First interim	01.09.21	30.11.21	01.12.21	31.01.22
Second interim	01.12.21	28.02.22	02.03.22	30.04.22
Third interim	01.03.22	31.05.22	01.06.22	31.07.22
Final	01.06.22	31.08.22	01.09.22	31.10.22

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

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Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	0.0000	8.8408	8.8408	8.2363
Second interim	2.7903	6.0025	8.7928	7.8995
Third interim	2.6549	6.6953	9.3502	7.7399
Final	1.1575	18.8012	19.9587	17.1622

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	0.7842	3.7589	4.5431	3.9017
Second interim	0.0000	4.2518	4.2518	4.1606
Third interim	0.0000	6.0540	6.0540	1.8807
Final	0.8394	10.4840	11.3234	10.8240

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	4.3270	6.5053	10.8323	10.0478
Second interim	0.2275	10.5892	10.8167	9.6468
Third interim	0.0000	11.4542	11.4542	9.4603
Final	3.6610	20.9519	24.6129	20.9781

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	1.8592	5.9578	7.8170	6.9554
Second interim	0.5188	7.1261	7.6449	6.9302
Third interim	0.0000	9.0163	9.0163	6.9700
Final	2.4912	16.0174	18.5086	14.7381

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Sterling Class 'I-H' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	0.0255	0.3839	0.4094	0.3888
Second interim	0.0272	0.3822	0.4094	0.3800
Third interim	0.0000	0.4061	0.4061	0.3760
Final	0.1402	0.6689	0.8091	0.8145

Sterling Class 'I-H' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	0.0030	0.2539	0.2569	0.2858
Second interim	0.0000	0.2509	0.2509	0.2439
Third interim	0.0000	0.2801	0.2801	0.2429
Final	0.0509	0.4723	0.5232	0.4670

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	0.1174	0.2801	0.3975	0.3683
Second interim	0.0506	0.3452	0.3958	0.3536
Third interim	0.0000	0.4213	0.4213	0.3469
Final	0.1781	0.7396	0.9177	0.7699

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	0.2032	0.1054	0.3086	0.3480
Second interim	0.0013	0.3022	0.3035	0.2848
Third interim	0.0000	0.3490	0.3490	0.2763
Final	0.1264	0.6050	0.7314	0.3737

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Sterling Class 'PP-H' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	0.4121	0.0000	0.4121	0.3902
Second interim	0.4119	0.0000	0.4119	0.3817
Third interim	0.4083	0.0000	0.4083	0.3779
Final	0.8174	0.0000	0.8174	0.8188

Sterling Class 'PP-H' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	0.2861	0.0000	0.2861	0.2686
Second interim	0.2816	0.0000	0.2816	0.2683
Third interim	0.0018	0.3033	0.3051	0.2676
Final	0.0000	0.5620	0.5620	0.5572

Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	0.2500	0.8159	1.0659	0.9911
Second interim	0.0225	1.0379	1.0604	0.9511
Third interim	0.0000	1.1281	1.1281	0.9322
Final	0.3860	2.0312	2.4172	2.0668

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	0.0682	0.4879	0.5561	0.5257
Second interim	0.0000	0.5325	0.5325	0.5342
Third interim	0.0000	0.6897	0.6897	0.5224
Final	0.1964	1.1606	1.3570	1.0399

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Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	1.1998	7.6284	8.8282	8.2245
Second interim	0.2500	8.5302	8.7802	7.8882
Third interim	0.0000	9.3368	9.3368	7.7288
Final	n/a	n/a	n/a	17.1301

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
First interim	0.1262	4.3507	4.4769	3.8449
Second interim	0.0000	4.1901	4.1901	4.1001
Third interim	0.0000	5.9655	5.9655	4.2677
Final	n/a	n/a	n/a	8.1317

23 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

Authorised Corporate Director's Report

For the purposes of these financial statements, the prospectus dated 29 July 2022 has been used.

Investment objective

The fund aims to provide a higher total return (the combination of capital growth and income), net of the ongoing charge figure, than that of the S&P 500 Index, over any five-year period.

Investment policy

At least 80% of the fund is invested directly in equity securities and equity related securities of companies across any sectors and market capitalisations that are incorporated, domiciled, or do most of their business activity in the United States of America and Canada.

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

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

Derivatives may be used for efficient portfolio management and hedging.

Investment approach

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

The investment approach identifies shares of North American companies which, in the fund manager's opinion at the time of investment, are undervalued.

When analysing companies, the fund manager seeks to identify companies that are mispriced, while trying to avoid companies that are cheap for a reason and whose share prices are unlikely to improve over time.

The investment approach combines strict value-focused screening with rigorous qualitative analysis to ensure the fund has a consistent and disciplined value bias without compromising on the robustness of the companies in the portfolio.

The fund manager expects the overall stock selection and value style to be the main drivers of performance rather than any individual sector or stock.

Benchmark

Benchmark: S&P 500 Index.

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

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

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

Risk profile

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



The above number:

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

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Investment review

For the year ended 31 August 2022

Performance against objective

Between 1 September 2021 (the start of the review period) and 31 August 2022, all of the fund's share classes delivered a positive total return (the combination of income and growth of capital). The return was ahead of that from the benchmark S&P 500 Index, which rose 5.0% in the review period.

The fund's Sterling Class 'X' shares closed on 24 June 2022. Between the start of the review period and the date of closure, the share classes also delivered a positive total return.

Over five years, the fund generated a positive return, but trailed the fund's benchmark, the S&P 500 Index, which returned 14.1% pa over this period. Therefore, the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than the S&P 500 Index over any five-year period.

For much of the past decade, the 'value' investment style (investing in lowly valued, out-of-favour stocks) has struggled to keep pace with the broader market. The fund's underperformance over the past five years can be attributed largely to the significant headwind from its value investing approach.

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

Performance review

US stockmarkets were turbulent in the 12 months under review, as concerns about inflation, rising interest rates and the economic outlook dampened investor risk appetite. In US dollar terms, the S&P 500 Index declined in the period. However, currency movements meant that returns for sterling-based investors were positive.

Initially, US equities (company share prices) rose as robust corporate earnings fuelled optimism that the global economy was recovering from the coronavirus pandemic. The emergence of the highly transmissible

Omicron variant of coronavirus and the prospect of further restrictions dampened sentiment somewhat but the S&P 500 Index continued to advance to record levels in December 2021.

The mood changed in the new year, however, as investors became increasingly concerned about soaring inflation. Supply-chain bottlenecks, labour shortages and the rebound in global economic growth after the coronavirus pandemic helped push prices higher. Surging commodity prices after Russia invaded Ukraine on 24 February also fuelled inflationary pressures. In July, the annual rate of inflation in the US reached 8.5%, close to the highest level in 40 years.

Investor risk appetite weakened as major central banks, notably the US Federal Reserve, began to raise interest rates sharply to try to bring inflation under control. Stockmarkets retreated as investors worried that higher borrowing costs at a time of high energy prices might lead to an economic downturn.

In the US market, energy stocks were the stand-out performers as oil prices climbed above US\$100 a barrel on concerns that Russia's military attack on Ukraine would disrupt supplies – Russia is one of the world's largest oil producers. Consumer staples, healthcare and utilities stocks also advanced ahead of the broader market, benefiting from the increase in risk aversion – they are generally considered to be defensive areas, that is the types of businesses that typically deliver consistent earnings even in challenging economic conditions.

In contrast, communication services was the weakest area, dragged down by declines from social media firm Meta Platforms (formerly Facebook) and streaming service Netflix. The consumer discretionary and information technology sectors also lagged the broader market.

From a style perspective, lowly valued stocks outperformed the broader market by a wide margin over the 12 months. During the period, there was a powerful rotation away from highly valued 'growth' stocks, particularly large technology companies, towards cheaper firms. This was driven in part by the

Authorised Corporate Director's Report

prospect of higher interest rates. (Growth stocks are generally regarded as companies that are expected to deliver above-average increases in earnings and profits in future.)

Against this background, the fund delivered positive returns ahead of the benchmark index, with asset allocation and stock selection both supporting relative performance. Our large weighting in energy, relative to the benchmark index, was beneficial as the sector rallied.

Oil firms Chevron and ConocoPhillips were leading contributors as they benefited from the rebound in oil prices. Higher energy prices helped Conoco deliver a significant rise in quarterly profits from the year before and boost its planned 2022 capital return to shareholders. Belgium-based oil tanker firm Euronav advanced too on expectations that freight rates would rise as a result of disruption to the global oil market caused by Western sanctions on Russian oil exports. Euronav's share price also climbed on the news of a merger with a smaller rival, which could create a market-leading operator and offer economies of scale.

Stock selection in utilities added value as well, with our shares in energy distribution company Exelon and Constellation Energy, a power producer that was spun off from Exelon, registering healthy gains. Constellation focuses on carbon-free energy and generates power using a diverse mix of hydro, wind, solar and nuclear sources. The stock gained after the US passed the Inflation Reduction Act, which is designed to support the shift to clean energy.

In addition, not owning any shares in e-commerce firm Amazon.com and online payments firm PayPal was helpful as they both underperformed the broader market significantly.

On the other hand, stock selection in consumer discretionary detracted from relative performance, with our holdings in online auction site eBay and sports footwear retailer Foot Locker holding back returns. eBay's share price retreated on concerns that the increased popularity of online shopping during the COVID-19 pandemic would fade, as well as worries

about weaker economic conditions. Meanwhile, investors were disappointed when Foot Locker forecast that sales would decline this year, partly as its biggest supplier Nike is aiming to sell more directly to consumers, and the stock price fell.

Our holdings in media conglomerate Comcast and TV and media group Warner Bros Discovery were notable laggards too. Warner Bros Discovery was formed in April by a merger between AT&T's Warner Media group and Discovery and its portfolio includes films, news channels and streaming services. The new company's share price has been weak since the merger amid concerns about the integration process and competition. However, we believe the company produces a huge amount of varied content and investors are underappreciating its prospects.

In addition, not owning shares in technology firm Apple, electric car company Tesla or oil firm Exxon Mobil held back relative returns as they outperformed the broader market.

Investment activities

During the period, we added several new stocks to the portfolio from a range of different industries. Social media firm Meta Platforms, formerly Facebook, was a notable purchase. Meta's share price, along with those of other mega-cap technology and internet stocks, fell sharply in the period as investors became cautious about their elevated valuations and future growth. Meta, specifically, declined amid worries about increasing competition from rival apps. In our view, though, the market has overreacted, and the company's prospects are not being fully valued.

We also started a position in semiconductor equipment firm KLA, which was caught up in the broad sell-off in the technology sector and reached valuations that we felt were attractive. Our existing holding in Alphabet, the parent company of Google, was also weak and we added to the position.

Utility firm AES Corporation, which has operations across the US and Latin America, was another newcomer. In our view, the company is well placed for the shift to cleaner energy. It is investing heavily in

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renewable energy projects, including hydro and solar, and has recently announced plans to end coal power generation by 2025.

Global payments and financial services technology firm Fiserv and insurance broker Willis Towers Watson also joined the portfolio.

In terms of sales, we sold our stakes in SPX Flow, a manufacturer of pumps and valves, and defence business General Dynamics after a period of good share price performance.

We closed our position in US sports footwear retailer Foot Locker as we believe the company is facing headwinds from the increasing shift of key brands to direct marketing and sales.

Other complete sales included real estate company PS Business Parks, insurance firm MetLife and conglomerate Loews. Paper and pulp firm Domtar left the portfolio too after being taken over.

In addition, we took some profits by trimming stocks that had performed well. These included oil firm Chevron, technology firm Cognizant Technology Solutions and utility Exelon.

Outlook

The current global macroeconomic and geopolitical environment is extremely uncertain, and it is likely that financial markets will remain turbulent in the coming months. As major central banks, led by the Fed, appear determined to control inflation, it remains to be seen if they can continue to raise interest rates without causing an economic slowdown.

Higher food and energy prices, combined with increased borrowing costs, are likely to put pressure on consumers, curbing discretionary spending and leading to weaker economic activity. At the same time, rising wages and input costs could hurt companies' profit margins. In this challenging environment, we will be monitoring our holdings and altering positions as appropriate. We believe our preference for companies with sound balance sheets could be beneficial if economic conditions deteriorate. Although there could be some difficult times ahead, we think the portfolio is

well placed to cope. We also remain optimistic about the outlook for the value style; although value has returned to favour this year, we believe the style still has a long way to go to reverse the previous decade of underperformance.

Daniel White

Fund manager

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

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

Portfolio statement

Investments

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities	304,062	97.27	96.87
Oil, gas & consumable fuels	24,490	7.83	4.53
62,772 Chevron	10,105	3.23	
41,594 Cobalt International Energy ^a	0	0.00	
68,028 ConocoPhillips	7,482	2.39	
115,019 Euronav	1,838	0.59	
26,897 Hess	3,293	1.05	
252,156 Kosmos Energy	1,772	0.57	
Chemicals	4,735	1.51	0.98
43,065 FMC	4,735	1.51	
Construction materials	3,346	1.07	1.31
27,678 Eagle Materials	3,346	1.07	
Containers & packaging	2,542	0.81	0.90
61,219 Westrock	2,542	0.81	
Metals & mining	4,924	1.58	1.90
38,657 Newmont	1,631	0.52	
40,255 Steel Dynamics	3,293	1.06	
Paper & forest products	0	0.00	0.70
Aerospace & defence	0	0.00	1.14
Building products	3,128	1.00	1.00
37,401 Owens Corning	3,128	1.00	
Industrial conglomerates	2,235	0.71	0.94
29,686 General Electric	2,235	0.71	
Machinery	6,212	1.99	2.53
22,860 Caterpillar	4,282	1.37	
23,908 Oshkosh	1,930	0.62	
Professional services	1,488	0.48	0.80
20,200 ManpowerGroup	1,488	0.48	
Air freight & logistics	2,923	0.93	0.85
13,690 FedEx	2,923	0.93	
Airlines	3,215	1.03	0.93
86,336 Southwest Airlines	3,215	1.03	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Road & rail	4,510	1.44	0.95
142,197 CSX	4,510	1.44	
Auto components	2,455	0.79	0.85
41,763 Magna International	2,455	0.79	
Automobiles	3,449	1.10	1.03
88,143 General Motors	3,449	1.10	
Leisure products	1,783	0.57	0.00
23,265 Brunswick	1,783	0.57	
Textiles, apparel & luxury goods	4,561	1.46	2.17
20,875 Columbia Sportswear	1,502	0.48	
85,726 Tapestry	3,059	0.98	
Internet & direct marketing retail	4,081	1.31	2.36
91,968 eBay	4,081	1.31	
Specialty retail	0	0.00	1.01
Food & staples retailing	6,828	2.18	2.25
143,601 Kroger	6,828	2.18	
Beverages	11,985	3.83	3.16
133,865 Coca-Cola Europacific Partners	6,634	2.12	
102,272 Molson Coors Beverage	5,351	1.71	
Food products	3,361	1.08	1.02
43,778 Tyson Foods	3,361	1.08	
Tobacco	5,776	1.85	2.13
127,761 Altria	5,776	1.85	
Household products	1,564	0.50	0.44
53,934 Energizer	1,564	0.50	
Personal products	2,261	0.72	0.72
288,501 Coty	2,261	0.72	
Health care equipment & supplies	5,315	1.70	1.61
25,830 Stryker	5,315	1.70	
Health care providers & services	8,214	2.63	3.67
13,346 Elevance Health	6,521	2.09	
7,417 LabCorp	1,693	0.54	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Biotechnology	6,125	1.96	1.64
45,067 AbbVie	6,125	1.96	
Pharmaceuticals	33,102	10.59	11.20
86,623 Bristol-Myers Squibb	5,828	1.86	
64,783 Johnson & Johnson	10,526	3.37	
77,619 Merck	6,744	2.16	
86,043 Organon	2,470	0.79	
164,960 Pfizer	7,534	2.41	
Banks	21,398	6.85	7.83
75,801 Citigroup	3,714	1.19	
71,263 JPMorgan Chase	8,152	2.61	
17,251 PNC Financial Services	2,773	0.89	
57,199 Truist Financial	2,713	0.87	
91,660 Wells Fargo	4,046	1.29	
Thriffs & mortgage finance	2,131	0.68	1.02
215,703 New York Community Bancorp	2,131	0.68	
Diversified financial services	2,605	0.83	0.84
42,223 Voya Financial	2,605	0.83	
Insurance	12,812	4.10	4.02
76,702 Hartford Financial Services	5,002	1.60	
30,341 Reinsurance Group of America	3,812	1.22	
19,354 Willis TowersWatson	3,998	1.28	
IT services	10,680	3.42	2.75
29,234 Cognizant Technology Solutions	1,882	0.60	
118,678 DXC Technology	2,914	0.93	
57,618 Fiserv	5,884	1.89	
Software	10,561	3.38	4.29
43,404 Check Point Software Technologies	5,310	1.70	
70,720 Oracle	5,251	1.68	
Communications equipment	6,684	2.14	2.82
147,505 Cisco Systems	6,684	2.14	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Equities (continued)			
Technology hardware, storage & peripherals			
166,649 Hewlett Packard Enterprise	2,248	0.72	
46,217 Western Digital	2,008	0.64	
Electronic equipment, instruments & components			
106,045 Vishay Intertechnology	2,108	0.67	
Semiconductors & semiconductor equipment			
70,793 Intel	2,294	0.74	
15,806 KLA	5,513	1.76	
51,988 Micron Technology	2,935	0.94	
Diversified telecommunication services			
94,914 AT&T	1,691	0.54	
161,366 Verizon Communications	6,877	2.20	
Wireless telecommunication services			
	0	0.00	0.41
Media			
163,594 Comcast	5,864	1.88	3.19
Entertainment			
204,971 Warner Bros Discovery	2,728	0.87	0.00
Interactive media & services			
56,523 Alphabet	6,171	1.97	
49,970 Meta	7,872	2.52	
Electric utilities			
69,515 Constellation Energy	5,580	1.78	
155,159 Exelon	6,836	2.19	
Independent power and renewable electricity producers			
229,738 AES	5,864	1.88	0.00
Equity real estate investment trusts (REITs)			
90,454 Highwoods Properties	2,786	0.89	
70,483 National Retail Properties	3,208	1.03	

Portfolio statement

Investments (continued)

Holding	as at 31.08.22 \$'000	as at 31.08.22 %	as at 31.08.21 %
Total portfolio	304,062	97.27	100.74
Net other assets/(liabilities)	8,541	2.73	(0.74)
Net assets attributable to shareholders	312,603	100.00	100.00

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

^a Delisted.

Portfolio statement

Top ten portfolio transactions for the year to 31 August 2022

Largest purchases	\$'000
Meta	11,278
Fiserv	6,577
AES	5,776
KLA	5,575
Willis TowersWatson	4,978
Warner Bros Discovery	4,371
Chevron	3,859
Johnson & Johnson	3,815
Kroger	3,724
JPMorgan Chase	3,285
Other purchases	96,418
Total purchases	149,656

Largest sales	\$'000
Cognizant Technology Solutions	5,107
Chevron	4,875
Exelon	4,825
Bristol-Myers Squibb	4,715
Elevance Health	4,332
Loews	3,758
Kroger	3,731
PS Business Parks	3,712
General Dynamics	3,536
Pfizer	3,056
Other sales	68,127
Total sales	109,774

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

Financial highlights

Fund performance

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

As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different.

For additional information, including monthly fund commentaries, fund facts, performance information (including a range of performance graphs) and other documents, please visit our website at www.mandg.com/investments

Long-term performance by share class

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period. Calculated on a price to price basis with income reinvested. Please refer to 'Specific share class performance' tables for the share class launch dates.

On 24 June 2022, the Sterling Class 'X' Income and Sterling Class 'X' Accumulation shares were merged into the equivalent Sterling Class 'A' Income and Sterling Class 'A' Accumulation shares.

Share class	One year % ^a	Three years % pa	Five years % pa	Ten years % pa
Sterling				
Class 'A' Income	+10.4	+10.5	+8.2	+13.2
Class 'A' Accumulation	+10.4	+10.5	+8.2	+13.2
Class 'I' Income	+10.9	+11.0	+8.8	+14.0
Class 'I' Accumulation	+10.9	+11.0	+8.8	+14.0
Class 'PP' Income	+11.0	+11.1	n/a	n/a
Class 'PP' Accumulation	+11.0	+11.1	n/a	n/a
Class 'R' Income	+10.6	+10.7	+8.5	+13.7
Class 'R' Accumulation	+10.6	+10.7	+8.5	+13.7
Class 'X' Income	+2.7	+8.4	+6.9	+12.6
Class 'X' Accumulation	+2.7	+8.4	+6.9	+12.6
Benchmark	+5.0	+14.1	+14.1	+16.7

^a Not annualised.

Specific share class performance

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

'Operating charges' and 'Direct portfolio transaction costs' are calculated as a percentage of average net asset value. Where there is a change in the charging structure, you may see variances in the 'operating charges' between the comparative and current year figures.

The closing NAV per share shown may diverge from the highest and lowest share prices (used for dealing purposes) as at the balance sheet date due to accounting and valuation adjustments.

Financial highlights

Sterling Class 'A' Income share performance

The share class was launched on 1 July 2005.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	152.71	116.40	129.96
Return before operating charges	17.22	40.53	(9.33)
Operating charges	(1.53)	(1.47)	(1.50)
Return after operating charges	15.69	39.06	(10.83)
Distributions	(3.63)	(2.75)	(2.73)
Closing NAV	164.77	152.71	116.40
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.03
Dilution adjustments	(0.03)	(0.03)	(0.03)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.95	1.06	1.20
Return after charges	+10.27	+33.56	-8.33
Other information			
Closing NAV (\$'000)	90,880	111,513	109,988
Number of shares	47,481,084	53,033,068	71,027,778
Highest share price (UK p)	172.68	156.12	138.91
Lowest share price (UK p)	146.33	114.17	100.33

Sterling Class 'A' Accumulation share performance

The share class was launched on 1 July 2005.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	173.19	129.67	141.48
Return before operating charges	19.53	45.15	(10.18)
Operating charges	(1.72)	(1.63)	(1.63)
Return after operating charges	17.81	43.52	(11.81)
Distributions	(2.17)	(1.45)	(1.42)
Retained distributions	2.17	1.45	1.42
Closing NAV	191.00	173.19	129.67
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.04
Dilution adjustments	(0.03)	(0.03)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.95	1.06	1.20
Return after charges	+10.28	+33.56	-8.35
Other information			
Closing NAV (\$'000)	3,764	2,210	1,840
Number of shares	1,696,354	926,592	1,066,393
Highest share price (UK p)	195.84	173.93	151.21
Lowest share price (UK p)	165.96	127.19	109.21

Financial highlights

Sterling Class 'I' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	2,948.04	2,236.83	2,484.99
Return before operating charges	333.10	780.61	(179.11)
Operating charges	(17.01)	(16.38)	(16.72)
Return after operating charges	316.09	764.23	(195.83)
Distributions	(70.03)	(53.02)	(52.33)
Closing NAV	3,194.10	2,948.04	2,236.83
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.58	0.51	0.66
Dilution adjustments	(0.58)	(0.51)	(0.66)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.55	0.61	0.70
Return after charges	+10.72	+34.17	-7.88
Other information			
Closing NAV (\$'000)	36,320	30,114	17,066
Number of shares	978,911	741,872	573,492
Highest share price (UK p)	3,346.35	3,013.61	2,661.33
Lowest share price (UK p)	2,825.54	2,195.94	1,923.79

Sterling Class 'I' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	3,390.67	2,527.31	2,743.64
Return before operating charges	383.18	881.91	(197.68)
Operating charges	(19.63)	(18.55)	(18.65)
Return after operating charges	363.55	863.36	(216.33)
Distributions	(58.84)	(41.57)	(40.13)
Retained distributions	58.84	41.57	40.13
Closing NAV	3,754.22	3,390.67	2,527.31
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.67	0.58	0.74
Dilution adjustments	(0.67)	(0.58)	(0.74)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.55	0.61	0.70
Return after charges	+10.72	+34.16	-7.88
Other information			
Closing NAV (\$'000)	124,615	148,487	83,552
Number of shares	2,857,554	3,180,554	2,485,038
Highest share price (UK p)	3,848.83	3,404.84	2,938.09
Lowest share price (UK p)	3,249.82	2,481.01	2,123.84

Financial highlights

Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	114.58	86.84	96.33
Return before operating charges	12.97	30.32	(6.96)
Operating charges	(0.55)	(0.52)	(0.50)
Return after operating charges	12.42	29.80	(7.46)
Distributions	(2.71)	(2.06)	(2.03)
Closing NAV	124.29	114.58	86.84
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.03
Dilution adjustments	(0.02)	(0.02)	(0.03)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.45	0.47	0.55
Return after charges	+10.84	+34.32	-7.74
Other information			
Closing NAV (\$'000)	52,175	589	109
Number of shares	36,138,186	373,595	94,866
Highest share price (UK p)	130.20	117.13	103.23
Lowest share price (UK p)	109.83	85.27	74.64

Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	123.44	91.89	99.61
Return before operating charges	13.97	32.05	(7.23)
Operating charges	(0.59)	(0.50)	(0.49)
Return after operating charges	13.38	31.55	(7.72)
Distributions	(2.28)	(1.64)	(1.59)
Retained distributions	2.28	1.64	1.59
Closing NAV	136.82	123.44	91.89
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.02	0.02
Dilution adjustments	(0.02)	(0.02)	(0.02)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.45	0.55	0.55
Return after charges	+10.84	+34.33	-7.75
Other information			
Closing NAV (\$'000)	433	268	44,541
Number of shares	272,438	157,391	36,433,920
Highest share price (UK p)	140.26	123.96	106.72
Lowest share price (UK p)	118.32	90.23	77.17

Financial highlights

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	291.00	221.36	246.53
Return before operating charges	32.84	77.17	(17.73)
Operating charges	(2.45)	(2.29)	(2.25)
Return after operating charges	30.39	74.88	(19.98)
Distributions	(6.92)	(5.24)	(5.19)
Closing NAV	314.47	291.00	221.36
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.06	0.05	0.07
Dilution adjustments	(0.06)	(0.05)	(0.07)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.80	0.86	0.95
Return after charges	+10.44	+33.83	-8.10
Other information			
Closing NAV (\$'000)	476	503	345
Number of shares	130,197	125,448	117,193
Highest share price (UK p)	329.52	297.49	263.77
Lowest share price (UK p)	278.87	217.22	190.59

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	331.26	247.53	269.43
Return before operating charges	37.39	86.28	(19.44)
Operating charges	(2.79)	(2.55)	(2.46)
Return after operating charges	34.60	83.73	(21.90)
Distributions	(4.76)	(3.33)	(3.32)
Retained distributions	4.76	3.33	3.32
Closing NAV	365.86	331.26	247.53
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.07	0.06	0.07
Dilution adjustments	(0.07)	(0.06)	(0.07)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.80	0.86	0.95
Return after charges	+10.44	+33.83	-8.13
Other information			
Closing NAV (\$'000)	3,940	3,834	2,776
Number of shares	927,037	840,499	842,906
Highest share price (UK p)	375.11	332.65	288.20
Lowest share price (UK p)	317.45	242.89	208.24

Financial highlights

Sterling Class 'X' Income share performance

The share class was launched on 1 July 2005. The class was merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	152.76	116.44	130.00
Return before operating charges	5.23	40.54	(9.33)
Operating charges	(1.25)	(1.47)	(1.50)
Return after operating charges	3.98	39.07	(10.83)
Distributions	n/a	(2.75)	(2.73)
NAV of in specie transfer	(156.74)	n/a	n/a
Closing NAV	0.00	152.76	116.44
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.02	0.03	0.03
Dilution adjustments	(0.02)	(0.03)	(0.03)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.95	1.06	1.20
Return after charges	+2.61	+33.55	-8.33
Other information			
Closing NAV (\$'000)	0	1,469	1,290
Number of shares	0	698,607	833,185
Highest share price (UK p)	171.04	156.17	138.95
Lowest share price (UK p)	146.37	114.21	100.36

Sterling Class 'X' Accumulation share performance

The share class was launched on 1 July 2005. The class was merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 31 August Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	173.66	130.00	141.86
Return before operating charges	5.96	45.29	(10.23)
Operating charges	(1.43)	(1.63)	(1.63)
Return after operating charges	4.53	43.66	(11.86)
Distributions	n/a	(1.46)	(1.42)
Retained distributions	n/a	1.46	1.42
NAV of in specie transfer	(178.19)	n/a	n/a
Closing NAV	0.00	173.66	130.00
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.03	0.03	0.04
Dilution adjustments	(0.03)	(0.03)	(0.04)
Total direct transaction costs	0.00	0.00	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.00	0.00
Operating charges	0.95	1.05	1.20
Return after charges	+2.61	+33.58	-8.36
Other information			
Closing NAV (\$'000)	0	1,700	1,297
Number of shares	0	711,067	749,789
Highest share price (UK p)	194.44	174.40	151.63
Lowest share price (UK p)	166.41	127.54	109.50

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Statement of total return

for the year to 31 August	Note	2022		2021	
		\$'000	\$'000	\$'000	\$'000
Income					
Net capital gains/(losses)	3		(26,823)		81,816
Revenue	5	7,543		6,330	
Expenses	6	(2,191)		(2,187)	
Interest payable and similar charges		0		0	
Net revenue/(expense) before taxation		5,352		4,143	
Taxation	7	(1,046)		(922)	
Net revenue/(expense) after taxation			4,306		3,221
Total return before distributions			(22,517)		85,037
Distributions	8		(5,666)		(4,615)
Change in net assets attributable to shareholders from investment activities			(28,183)		80,422

Statement of change in net assets attributable to shareholders

for the year to 31 August	2022		2021	
	\$'000	\$'000	\$'000	\$'000
Opening net assets attributable to shareholders		300,687		262,804
Amounts received on issue of shares	139,353		91,272	
Amounts paid on cancellation of shares	(101,443)		(135,827)	
		37,910		(44,555)
Dilution adjustments		135		121
Change in net assets attributable to shareholders from investment activities (see above)		(28,183)		80,422
Retained distributions on Accumulation shares		2,054		1,895
Closing net assets attributable to shareholders		312,603		300,687

Interest payable and similar charges of \$0 (2021: \$0) has been reclassified from 'Expenses' within the statement of total return.

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Balance sheet

as at 31 August	Note	2022 \$'000	2021 \$'000
Assets			
Fixed assets			
Investments		304,062	291,276
Current assets			
Debtors	9	5,144	911
Cash and bank balances	10	393	735
Cash equivalents		10,814	11,626
Total assets		320,413	304,548
Liabilities			
Creditors			
Distribution payable		(3,948)	(2,598)
Other creditors	11	(3,862)	(1,263)
Total liabilities		(7,810)	(3,861)
Net assets attributable to shareholders		312,603	300,687

Financial statements and notes

Notes to the financial statements

1 Accounting policies

The financial statements have been prepared in accordance with the 'Summary of significant accounting policies' set out on pages 9 to 12.

The fund's functional and presentational currency is US dollars as this better reflects the currency of its primary economic environment.

2 Distribution policy

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

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

3 Net capital gains/(losses)

for the year to 31 August	2022 \$'000	2021 \$'000
Non-derivative securities	(27,086)	82,161
Derivative contracts	124	0
Currency gains/(losses)	139	(345)
Net capital gains/(losses)	(26,823)	81,816

4 Portfolio transactions and associated costs

The following tables show portfolio transactions and their associated transaction costs. For more information about the nature of the costs please see the sections on 'Operating charges' and 'Portfolio transaction costs' on pages 11 and 12. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

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for the year to 31 August	2022 \$'000	% of transaction	2021 \$'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	149,624		88,465	
Commissions	32	0.02	22	0.02
Total purchases after transaction costs	149,656		88,487	
b) Sales				
Equities				
Equities before transaction costs	109,801		132,928	
Commissions	(26)	0.02	(28)	0.02
Taxes	(1)	0.00	(2)	0.00
Total sales after transaction costs	109,774		132,898	
	2022 \$'000	% of average NAV	2021 \$'000	% of average NAV
c) Direct portfolio transaction costs				
Commissions paid				
Equities	58	0.02	50	0.02
Taxes paid				
Equities	1	0.00	2	0.00
Total direct portfolio transaction costs	59	0.02	52	0.02
		%		%
d) Indirect portfolio transaction costs				
Average portfolio dealing spread as at the balance sheet date		0.02		0.03

5 Revenue

for the year to 31 August	2022 \$'000	2021 \$'000
Dividends from equity investments: non-taxable	7,157	6,067
Dividends from equity investments: taxable	0	73
Interest distributions	61	9
Property distribution: taxable	317	175
Rebate of ongoing charges from underlying funds	8	6
Total revenue	7,543	6,330

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6 Expenses

for the year to 31 August	2022 \$'000	2021 \$'000
Payable to the ACD or associate		
Annual charge	2,191	2,187
Total expenses	2,191	2,187

Audit fees for the financial year ending 2022 were £11,000 (2021: £10,000) (including VAT), which are covered by the annual charge. Interest payable and similar charges of \$0 (2021: \$0) has been reclassified from 'Expenses' within the statement of total return.

7 Taxation

for the year to 31 August	2022 \$'000	2021 \$'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	1,028	921
Capital gains tax (US)	18	1
Deferred tax (note 7c)	0	0
Total taxation	1,046	922
b) Factors affecting taxation charge for the year		
Net revenue/(expense) before taxation	5,352	4,143
Corporation tax at 20%	1,070	828
Effects of:		
Dividends from equity investments: non-taxable	(1,431)	(1,213)
Capital income subject to taxation	24	1
Current year expenses not utilised	350	388
Withholding tax	1,028	921
Capital gains tax (US)	18	1
Overseas tax expensed	(13)	(4)
Total tax charge (note 7a)	1,046	922
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 7a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset of \$12,745,000 (2021: \$12,395,000) arising as a result of having excess management expenses. We do not expect this asset to be utilised in the foreseeable future.

Financial statements and notes

8 Distributions

For each distribution period, the distributions payable on Income shares (Inc) and distributions retained on Accumulation shares (Acc) are disclosed.

for the year to 31 August	2022		2021	
	Inc \$'000	Acc \$'000	Inc \$'000	Acc \$'000
Dividend distributions				
Final	3,948	2,054	2,598	1,895
Total net distributions		6,002		4,493
Income deducted on cancellation of shares		1,092		1,001
Income received on issue of shares		(1,428)		(879)
Distributions		5,666		4,615
Net revenue/(expense) per statement of total return		4,306		3,221
Expenses offset against capital		1,342		1,393
Capital gains tax offset against capital		18		1
Distributions		5,666		4,615

9 Debtors

as at 31 August	2022 \$'000	2021 \$'000
Amounts receivable on issues of shares	2,139	41
Currency deals outstanding	1,746	276
Distributions receivable	24	0
Dividends receivable	499	464
Sales awaiting settlement	648	0
Withholding tax recoverable	88	130
Total debtors	5,144	911

10 Cash and bank balances

as at 31 August	2022 \$'000	2021 \$'000
Cash held as bank balances	393	735
Total cash and bank balances	393	735

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11 Other creditors

as at 31 August	2022 \$'000	2021 \$'000
Amounts payable on cancellation of shares	216	839
Annual charge payable	52	129
Currency deals outstanding	1,743	276
Purchases awaiting settlement	1,851	0
Payable to M&G (Lux) North American Value Fund	0	19
Total other creditors	3,862	1,263

12 Contingent assets, liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the balance sheet date (2021: same).

13 Shares in issue

The following table shows each class of share in issue during the year. Each share class has the same rights on winding up however they may have different charging structures as set out in note 14.

Share class	Opening 01.09.21	Issued	Movements Cancelled	Converted	Closing 31.08.22
Sterling					
Class 'A' Income	53,033,068	4,695,786	(10,914,037)	666,267	47,481,084
Class 'A' Accumulation	926,592	227,307	(104,522)	646,977	1,696,354
Class 'I' Income	741,872	455,388	(218,349)	0	978,911
Class 'I' Accumulation	3,180,554	735,032	(1,058,032)	0	2,857,554
Class 'PP' Income	373,595	48,773,907	(13,009,316)	0	36,138,186
Class 'PP' Accumulation	157,391	470,647	(355,600)	0	272,438
Class 'R' Income	125,448	41,374	(36,625)	0	130,197
Class 'R' Accumulation	840,499	311,254	(224,716)	0	927,037
Class 'X' Income	698,607	23,866	(56,419)	(666,054)	0
Class 'X' Accumulation	711,067	75,000	(140,833)	(645,234)	0

It is not possible to separately identify all share class conversions. As a result, the share class movements (issued/cancelled) as disclosed in the table above may also include share class conversions.

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14 Charging structure

The table below sets out the charging structure for each class of share. The charging structure is the same for both Income and Accumulation shares of each class. The amounts shown are the maximum annual charge. M&G will apply a discount of 0.02% for every £1 billion of a fund's net asset value. This is assessed quarterly and implemented on a forward basis no later than 13 business days after quarter end.

Share class	Annual charge %
Sterling	
Class 'A'	0.95
Class 'I'	0.55
Class 'PP'	0.45
Class 'R'	0.80
Class 'X'	0.95

15 Related parties

M&G Securities Limited, as Authorised Corporate Director (ACD), is a related party and acts as principal on all the transactions of shares in the fund except with in specie transactions, where M&G Securities Limited acts as an agent. The aggregate monies received through issues, and paid on cancellations, are disclosed in the 'Statement of change in net assets attributable to shareholders' and note 8. Amounts due to/from M&G Securities Limited in respect of share transactions at the year end are disclosed in notes 9 and 11 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 6. Amounts due at the year end in respect of the annual charge are disclosed in note 11.

At the balance sheet date, shareholders from within M&G plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 49.16% (2021: 86.51%) of the fund's shares.

16 Fair value analysis

Financial instruments have been measured at their fair value and have been classified below using a hierarchy that reflects the significance of the inputs used in measuring their fair value:

Level 1: Unadjusted quoted price in an active market for an identical instrument

This includes instruments such as publicly traded equities, highly liquid bonds (e.g. Government bonds) and exchange traded derivatives (e.g. futures) for which quoted prices are readily and regularly available.

Level 2: Valuation technique using observable market data

This includes instruments such as over-the-counter (OTC) derivatives, debt securities, convertible bonds, mortgage-backed securities, asset-backed securities and open-ended funds which have been valued using models with observable market data inputs.

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Level 3: Valuation technique using unobservable inputs

This refers to instruments which have been valued using models with unobservable data inputs. This includes single broker-priced instruments, suspended/unquoted securities, private equity, unlisted closed-ended funds and open-ended funds with restrictions on redemption rights.

as at 31 August	Assets 2022 \$'000	Liabilities 2022 \$'000	Assets 2021 \$'000	Liabilities 2021 \$'000
Level 1	304,062	0	291,276	0
Level 2	0	0	0	0
Level 3	0	0	0	0
	304,062	0	291,276	0

17 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 12 to 14.

18 Market risk sensitivity

A five per cent increase in the value of the fund's investment portfolio would have the effect of increasing the return and net assets by \$15,203,000 (2021: \$14,564,000). A five per cent decrease would have an equal and opposite effect.

19 Currency risk sensitivity and exposure

Currency risk is not considered significant for the fund and is therefore not disclosed.

20 Interest rate risk sensitivity and exposure

As the majority of the fund's financial assets are non-interest bearing, the risk is not considered significant and is therefore not disclosed.

21 Credit risk

Credit risk is not considered significant for the fund and is therefore not disclosed.

22 Dividend distribution tables

This fund pays annual ordinary distributions and the following table sets out the distribution period.

Annual distribution period

	Start	End	Xd	Payment
Final	01.09.21	31.08.22	01.09.22	31.10.22

The following tables set out for each distribution the rates per share for both Group 1 and Group 2 shares.

Group 1 shares are those purchased prior to a distribution period and therefore their income rate is the same as the distribution rate.

Group 2 shares are those purchased during a distribution period and therefore their distribution rate is made up of income and equalisation. Equalisation is the average amount of income included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income

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Tax. Instead, it must be deducted from the cost of shares for Capital Gains Tax purposes. The tables below show the split of the Group 2 rates into the income and equalisation components.

Sterling Class 'A' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	1.4597	2.1745	3.6342	2.7525

Sterling Class 'A' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	0.7205	1.4501	2.1706	1.4512

Sterling Class 'I' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	21.9238	48.1044	70.0282	53.0239

Sterling Class 'I' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	36.6913	22.1490	58.8403	41.5687

Sterling Class 'PP' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	1.4563	1.2519	2.7082	2.0600

Sterling Class 'PP' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2 Equalisation	Group 1 & 2 Distribution	
	2022	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	1.3667	0.9176	2.2843	1.6431

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Sterling Class 'R' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	3.3483	3.5696	6.9179	5.2403

Sterling Class 'R' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	2.7167	2.0435	4.7602	3.3332

Sterling Class 'X' Income shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	n/a	n/a	n/a	2.7533

Sterling Class 'X' Accumulation shares

Ordinary distributions for the year to 31 August	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Final	n/a	n/a	n/a	1.4550

23 Events after the balance sheet date

There were no events after the balance sheet date to disclose.

Other regulatory disclosures

Remuneration

In line with the requirements of the Undertakings for Collective Investment in Transferable Securities (UCITS) V, M&G Securities Limited is subject to a remuneration policy which is consistent with the principles outlined in the European Securities and Markets Authority guidelines on sound remuneration policies under the UCITS Directive.

The remuneration policy is designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of employees is in line with the risk policies and objectives of the UCITS funds managed by the UCITS Management Company. Further details of the remuneration policy can be found here: www.mandgplc.com/our-business/mandg-investments/mandg-investments-business-policies. The remuneration policy and its implementation is reviewed on an annual basis, or more frequently where required, and is approved by the M&G plc Board Remuneration Committee.

M&G Securities Limited is required under UCITS to make quantitative disclosures of remuneration. These disclosures are made in line with M&G's interpretation of currently available guidance on quantitative remuneration disclosures. As market or regulatory guidance evolves, M&G may consider it appropriate to make changes to the way in which quantitative disclosures are calculated.

The 'Identified Staff' of M&G Securities Limited are those who could have a material impact on the risk profile of M&G Securities Limited or the UCITS funds it manages and generally includes senior management, risk takers and control functions. 'Identified Staff' typically provide both UCITS and non-UCITS related services and have a number of areas of responsibility. Therefore, only the portion of remuneration for those individuals' services which may be attributable to UCITS is included in the remuneration figures disclosed. Accordingly the figures are not representative of any individual's actual remuneration.

The amounts shown below reflect payments made in respect of the financial year 1 January 2021 to 31 December 2021.

	Fixed Remuneration £000	Variable Remuneration £000	Total £000
Senior Management	497	1,157	1,654
Other Identified Staff	5,706	20,483	26,189

Swiss investor information

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

For these funds the TERs are the same as the operating charges disclosed in the fund's financial highlights section under 'Performance and charges'.

EU Sustainable Finance Disclosure Regulation

SFDR

The M&G Global Themes Fund is categorised as an Article 6 fund under SFDR.

Taxonomy Regulation

The M&G Global Themes Fund's underlying investments do not take into account the EU criteria for environmental sustainable economic activities.

Glossary

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

Accumulation units A type of unit where distributions are automatically reinvested and reflected in the value of the units.

Asset Anything having commercial or exchange value that is owned by a business, institution or individual.

Asset allocation Apportioning a portfolio's assets according to risk tolerance and investment goals.

Asset class Category of assets, such as cash, company shares, fixed income securities and their sub-categories, as well as tangible assets such as real estate.

Bond A loan in the form of a security, usually issued by a government or company, which normally pays a fixed rate of interest over a given time period, at the end of which the initial amount borrowed is repaid.

Bond issue A set of fixed income securities offered for sale to the public by a company or government. If the bonds are sold for the first time, it is called a 'new issue'.

Bottom-up selection Selecting stocks based on the attractiveness of a company.

Bunds Fixed income securities issued by the German government.

Capital Refers to the financial assets, or resources, that a company has to fund its business operations.

Capital growth Occurs when the current value of an investment is greater than the initial amount invested.

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

Cash equivalents Deposits or investments with similar characteristics to cash.

Charity Authorised Investment Fund (CAIF) An investment entity that is both a registered charity and an authorised investment fund. The CAIF must comply with charity law as well as financial services laws and regulations, and is usually treated as a registered charity for tax purposes.

Comparative sector A group of funds with similar investment objectives and/or types of investment, as classified by bodies such as the Investment Association (IA) or Morningstar™. Sector definitions are mostly based on the main assets a fund should invest in, and may also have a geographic focus. Sectors can be the basis for comparing the different characteristics of similar funds, such as their performance or charging structure.

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

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

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

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

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

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

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

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

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

Glossary

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

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

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

Defaulted bond When a bond issuer does not maintain interest payments or repay the amount borrowed when due.

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

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

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

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

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

Distribution yield Expresses the amount that is expected to be distributed by the fund over the next 12 months as a percentage of the share price as at a certain date. It is based on the expected gross income less the ongoing charges.

Diversification The practice of investing in a variety of assets. This is a risk management technique where, in a well-diversified portfolio, any loss from an individual holding should be offset by gains in other holdings, thereby lessening the impact on the overall portfolio.

Dividend Dividends represent a share in the profits of a company and are paid out to the company's shareholders at set times of the year.

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

Duration risk The longer a fixed income security, also called a bond, or bond fund's duration, the more sensitive and therefore at risk it is to changes in interest rates.

Emerging economy or market Economies in the process of rapid growth and increasing industrialisation. Investments in emerging markets are generally considered to be riskier than those in developed markets.

Equities Shares of ownership in a company.

Exchange traded Usually refers to investments traded on an exchange, such as company shares on a stock exchange.

Ex-dividend, ex-distribution or XD date The date on which declared distributions officially belong to underlying investors.

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

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

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

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

Glossary

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

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

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

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

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

Gilts Fixed income securities issued by the UK government.

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

Hedging A method of reducing unnecessary or unintended risk.

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

High yield bonds Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

Historic yield The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown.

Income yield Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

Index An index represents a particular market or a portion of it, serving as a performance indicator for that market.

Income shares A type of share where distributions are paid out as cash on the payment date.

Income units A type of unit where distributions are paid out as cash on the payment date.

Index tracking A fund management strategy that aims to match the returns from a particular index.

Index-linked bonds Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation risk The risk that inflation will reduce the return of an investment in real terms.

Initial public offering (IPO) The first sale of shares by a private company to the public.

Interest rate risk The risk that a fixed income investment will lose value if interest rates rise.

Interest rate swap An agreement between two parties to swap a fixed interest payment with a variable interest payment over a specified period of time.

Investment Association (IA) The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

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

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

Glossary

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

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

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

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

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

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

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

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

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

Morningstar™ A provider of independent investment research, including performance statistics and independent fund ratings.

Near cash Deposits or investments with similar characteristics to cash.

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

Ongoing Charge Figure The ongoing charge figure represents the operating costs investors can reasonably expect to pay under normal circumstances.

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

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

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

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

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

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

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

Preference shares Preference shares are a loan to a company that may be traded in the same way as ordinary shares, but generally have a higher yield and pay dividends on fixed dates. Preference shares have varying characteristics as to the treatment of the principal and the dividend payment, which includes ranking them above ordinary shares when it comes to dividend payments.

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

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

Property Expense Ratio (PER) Property expenses are the operating expenses that relate to the management of the property assets in the portfolio. These include: insurance and rates, rent review and lease renewal costs and maintenance and repairs, but not improvements. They depend on the level of activity taking place within the fund. The Property Expense Ratio is the ratio of property expenses to the fund's net asset value.

Glossary

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

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

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

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

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

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

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

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

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

Share class Each M&G fund has different share classes, such as A, R and I. Each has a different level of charges and minimum investment. Details on charges and minimum investments can be found in the Key Investor Information Documents.

Share class hedging Activities undertaken in respect of hedged shares to mitigate the impact on performance of exchange rate movements between the fund's currency exposure and the investor's chosen currency.

Short position A way for a fund manager to express his or her view that the market might fall in value.

Short selling This often refers to the practice whereby an investor sells an asset they do not own. The investor borrows the asset from someone who does own it and pays a fee. The investor must eventually return the borrowed asset by buying it in the open market. If the asset has fallen in price, the investor buys it for less than they sold it for, thus making a profit. The contrary may also occur.

Short-dated corporate bonds Fixed income securities issued by companies and repaid over relatively short periods.

Short-dated government bonds Fixed income securities issued by governments and repaid over relatively short periods.

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

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

Suspended Temporarily halting the trading of a listed security on the stock exchange. It can be voluntary (requested by the issuing company) or imposed by regulators. Typically, trading suspensions are introduced ahead of important news announcements, following technical glitches, or due to regulatory concerns.

Swing pricing Swing pricing is a method of protecting long-term shareholders in the fund from bearing the costs of transactions carried out by shorter-term investors. When investors buy or sell shares in the fund, the fund manager has to buy or sell underlying securities to either invest the cash obtained from investors, or to provide them with cash in exchange for their shares. Swing pricing essentially adjusts the fund shares' daily price to take into account the costs of buying or selling the underlying securities held by the fund. This ensures that transaction costs such as brokerage fees and administrative charges are borne by those investors who trade shares in the fund, not by those who remain invested in the fund. (Also see dilution adjustment).

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

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

Treasuries Fixed income securities issued by the US government.

Glossary

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

UCITS Stands for Undertakings for Collective Investment in Transferable Securities. This is the European regulatory framework for an investment vehicle that can be marketed across the European Union and is designed to enhance the single market in financial assets while maintaining high levels of investor protection.

Unconstrained The term used to describe the mandate of a fund whereby the manager has the freedom to invest according to his or her own strategy, not being obliged to allocate capital according to the weightings of any index, for example.

Underlying value The fundamental value of a company, reflecting both tangible and intangible assets, rather than the current market value.

Underlying yield Refers to the income received by a managed fund, and is usually expressed annually as a percentage based on the fund's current value.

Underweight If a portfolio is 'underweight' a stock, it holds a smaller proportion of that stock than the comparable index or sector.

Unit trust A type of managed fund, whose value is directly linked to the value of the fund's underlying investments.

Unit/share type Type of units/shares held by investors in a trust or fund (unit/share types differ by features such as whether income is to be paid out as cash or reinvested on the payment date).

Unlisted/unquoted stocks Shares of ownership in companies that are not listed on a public exchange, known as private companies.

Valuation The worth of an asset or company based on its current price.

Volatile When the value of a particular share, market or sector swings up and down fairly frequently and/or significantly, it is considered volatile.

Volatility The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Warrant A security issued by a company that gives the holder the right to buy shares in that company at a specified price and within a certain timeframe.

Yield This refers to either the interest received from a fixed income security or to the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (equity) Refers to the dividends received by a holder of company shares and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value. Dividends represent a share in the profits of the company and are paid out to a company's shareholders at set times of the year.

Yield (bonds) This refers to the interest received from a fixed income security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

Yield (income) Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

