

# M&G Optimal Income Fund

## **Annual report and audited financial statements for the year ended 30 September 2022**

Special version for Switzerland

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# Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Optimal Income Fund presents its annual report and audited financial statements for the year ended 30 September 2022.

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

## Company information

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

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

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

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

## Fund manager

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

## 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

## 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 latest report to 31 March 2022 can be found at [www.mandg.co.uk/valueassessment](http://www.mandg.co.uk/valueassessment)

# Authorised Corporate Director's Report

## Important information

COVID-19 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 in Ukraine continue to shock and bring widespread condemnation. Western nations 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.

From the perspective of financial markets, Russia's attack has sparked considerable volatility. There have been direct impacts, particularly with Russian exposed assets and indirect impacts affecting asset classes globally with oil and gas prices surging. Given the uncertainty around the continuing conflict, it is likely that financial markets will remain volatile as investors react to developments.

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](http://www.mandgplc.com/sustainability/environment/coal)

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.

Please refer to the 'Investment review' section for further details on significant events during the period. Investment reviews may become quickly outdated in relation to ongoing economic and geopolitical events.

## 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 Depository.

## 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: [csmandg@rbc.com](mailto:csmandg@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.

## 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 the fund 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 appropriate to presume that the Company will not continue in operation.

## 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  
30 November 2022

# Depository's Responsibilities and Report

## Statement of the Depository's Responsibilities and Report of the Depository to the Shareholders of M&G Optimal Income Fund ('the Company') for the year ended 30 September 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  
30 November 2022

NatWest Trustee and  
Depository Services Limited

# Independent Auditor's Report

## Independent Auditor's Report to the shareholders of M&G Optimal Income Fund

### Opinion

We have audited the financial statements of M&G Optimal Income Fund ("the Company") for the year ended 30 September 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 as at 30 September 2022, and of the net revenue and the net capital losses on the scheme property of the Company for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### 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 (IA 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  
30 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.

# 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 the average return of the IA Sterling Strategic Bond Sector, over any five-year period.

## Investment policy

At least 50% of the fund is invested, directly or indirectly through derivatives, in debt securities, including investment grade bonds, below investment grade unrated securities and asset backed securities. These securities can be issued or guaranteed by governments and their agencies, public authorities, quasi-sovereigns, supranational bodies and companies from anywhere in the world, including emerging markets. These securities can be denominated in any currency.

Other investments may include:

- up to 20% of the fund in equities; and
- other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).

There are no credit quality restrictions applicable to the fund's investments.

At least 80% of the fund is in sterling or hedged back to sterling.

Derivatives may be used for investment purposes, efficient portfolio management and hedging.

## Investment approach

The fund is globally diversified across a range of debt securities and issuers from a variety of sectors and geographies. This flexibility allows the fund manager to invest in a combination of assets that together provide the most attractive or 'optimal' income stream for the fund. Income streams from different assets essentially offer different combinations of duration (interest rate) risk and credit risk – the optimal income stream is therefore that which incorporates the best mix of the two, based on the fund manager's view on macroeconomic, asset class, sector and geographic factors. In seeking an optimal income stream from investments, the fund manager may invest in a company's equities if they present a more attractive investment opportunity relative to its bonds.

Individual credit selection is carried out with the assistance of an in-house team of credit analysts to complement the fund manager's views.

## Benchmark

Benchmark: IA Sterling Strategic Bond Sector.

The benchmark is a target which the fund seeks to outperform. The sector has been chosen as the fund's benchmark as the fund is a constituent of the sector. 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.

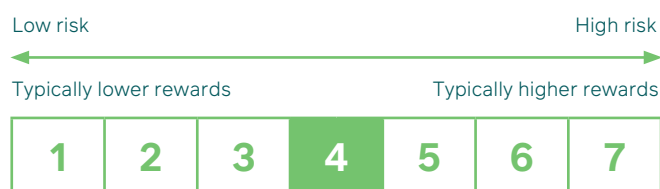
For unhedged share classes, the benchmark is shown in the share class currency.

# Authorised Corporate Director's Report

## Risk profile

For details of the risks associated with this fund, please refer to the Prospectus. For details of the risk management policies, please refer to page 47 to 49.

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 30 September 2022

### Performance against objective

Between 1 October 2021 (the start of the review period) and 30 September 2022, the M&G Optimal Income Fund delivered a negative total return (the combination of income and growth of capital) across all of its sterling share classes. Fund performance was also behind that of the average return from the fund's benchmark, the IA Sterling Strategic Bond Sector, which was -15.4% over the same period under review.

Over five years, the fund generated a negative total return across all its share classes, and lagged the benchmark, where the average return was -0.4% pa in sterling, in three of its four share classes. Therefore the fund did not meet the objective of providing a higher total return, net of the ongoing charge figure, than the

average return of the IA Sterling Strategic Bond Sector over any five-year period for three of its four share classes.

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

The period under review saw heightened volatility across global bond markets, with the majority of fixed income assets (as bonds are also known) delivering negative returns over the period. The downturn mainly occurred in 2022, with a partial respite in the summer months, and was driven by concerns that interest rates would need to be raised more aggressively to tackle surging inflation. Rising interest rates typically cause bond prices to fall as the fixed payments or 'coupons' paid by bonds make it less competitive to buy unless the price is lower. The Russian invasion of Ukraine (on 24 February) and continuing conflict became a destabilising theme throughout the period.

The volatility that characterised most of 2022 to the end of the review period contrasted with the relatively subdued market conditions that persisted throughout much of 2021. While concerns about rising inflation had weighed on sentiment, the general view was that inflation would be transient, and moves in fixed income markets were relatively contained.

However, as it became apparent that inflation was likely to prove more persistent than originally thought, fixed income markets came under pressure in the final weeks of 2021. Around this time, the world's central banks took an increasingly assertive stance as they outlined their plans to curb inflation. As the review period came to a close, the rate of inflation was over 8% in the US, 10% in the UK and a similarly high rate across the Eurozone.

Against this backdrop, core government bonds delivered negative returns across the board as yields (which move in the opposite direction to bond prices) rose sharply from around December onwards. Corporate bonds of all ratings quality also experienced negative returns, held back by a combination of rising government bond yields and deteriorating investor

# Authorised Corporate Director's Report

sentiment. Given we hold a sizeable share of fund assets in corporate bonds, about 40% at the end of the review period, the effect on fund performance of this downturn was detrimental.

One of the key drivers of the fund's performance is the ability to reduce or increase the portfolio's sensitivity to changes in bond yields, otherwise known as 'duration'. The longer the duration, the more sensitive a bond/bond fund is to movements in interest rates. Although we maintained the fund's short duration during the entire review period, it did lengthen throughout – from around 2.4 years to 5.8 years – as bond yields rose substantially. In fact, sharply rising yields had become a key theme by the end of the review period – especially in the UK. Worried about the implications of proposals by the UK government to cut taxes without any details on how they would pay for this, investors sold UK government bonds (known as 'gilts'). Prices on gilts with a long time before they mature (eg, a so-called '2050' UK gilt) dropped sharply, as investors took flight, which caused their yields to inversely rocket to very high levels. Overall, the fund's exposure to duration – and rising yields – was a detractor to fund returns.

As explained, fund performance was largely driven by weakness in the corporate bond market, and this included the major centres of activity, ie, the US, Europe and the UK. Compared to a short duration position and corporate bond exposure, the fund's allocation to equities issued by companies benefiting from improving economies ('cyclical sectors') was a positive contributor to performance for some of the review period. The fund's exposure to high yield bonds, which typically pay higher returns but are riskier, was a detractor, however.

## Investment activities

The fund's holdings are split between high-quality, or investment grade, corporate bonds, high-yielding corporate bonds and government bonds; government bonds can typically provide liquidity and stability in uncertain markets. The fund also has a small allocation to equities.

We adjust the fund's positioning to reflect changes in our outlook regarding interest rates, credit risk and

changes in relative value among the different fixed income asset classes. Throughout the review period, we continued to find most value in investment grade corporate bonds, and as a result, held proportionately more of these than government bonds. At the period end, the fund's allocation to investment grade (ie, high quality) corporate bonds accounted for just over 40% of fund assets, compared to 21-22% invested in government bonds. Exposure to both investment grade corporate bonds and government bonds has come down slightly during the review period, while we have increased holdings of high yield (ie, lower quality) bonds (effectively doubled, from just over 18% to almost 36%) on account of perceived attractive valuations.

We can invest a portion of the fund (up to 20%) in equities if we believe a company's shares present a more attractive investment opportunity relative to its bonds. The portion allocated to equities ended the review period at around 0.3%, significantly lower than the 5.0% at the start of the review period. Currently, we see more value in the debt (ie, bonds) part of a company's capital structure compared to the equity (ie, company shares) part.

## Outlook

While the global economy is slowing down, we nevertheless argue that a recession (particularly in the US) is not as imminent as the market implies. The labour market is strong and households are in a good financial position. Going forward, it will mostly depend on what central banks will decide to do and how aggressive they will be with rate hikes as they try and balance cooling inflation, while trying to maintain positive economic growth.

We suggest that the good news for bond investors is that most of the so-called 'bad news' has already filtered through to the price of bonds – especially corporate bonds. Valuations are low (so can be attractive to buy, from our standpoint) and in some areas prices are close to where they were during the COVID-19 induced recession. Added to this, we believe the likelihood of companies defaulting on their bonds is lower than the market continues to claim. This means the cohort of companies issuing corporate bonds is

# Authorised Corporate Director's Report

relatively healthy and puts the asset class in good stead for the remaining months of 2022. Meanwhile, we may be seeing some attractive opportunities within government bonds, for the first time in years.

## **Richard Woolnough**

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 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Equities</b>	<b>3,752</b>	<b>0.27</b>	<b>5.30</b>
<b>Telecommunication service providers</b>	<b>0</b>	<b>0.00</b>	<b>0.80</b>
<b>Pharmaceuticals &amp; biotechnology</b>	<b>0</b>	<b>0.00</b>	<b>0.51</b>
<b>Non-equity investment instruments</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Non-life insurance</b>	<b>0</b>	<b>0.00</b>	<b>0.38</b>
<b>Automobiles &amp; parts</b>	<b>0</b>	<b>0.00</b>	<b>0.92</b>
<b>Travel &amp; leisure</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
416,995 Codere <sup>a</sup>	0	0.00	
<b>Tobacco</b>	<b>0</b>	<b>0.00</b>	<b>0.90</b>
<b>Aerospace &amp; defence</b>	<b>0</b>	<b>0.00</b>	<b>0.08</b>
<b>Industrial support services</b>	<b>3,732</b>	<b>0.27</b>	<b>0.12</b>
150,000 Adecco	3,732	0.27	
<b>Precious metals &amp; mining</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
3,647,371 New World Resources <sup>a</sup>	0	0.00	
<b>Oil &amp; gas</b>	<b>20</b>	<b>0.00</b>	<b>1.59</b>
85 Chaparral Energy Warrants 01/10/2024 <sup>b</sup>	0	0.00	
85 Chaparral Energy Warrants 01/10/2025 <sup>b</sup>	0	0.00	
431 Denbury Warrants 18/09/2023	20	0.00	
<b>Fixed income</b>	<b>1,271,545</b>	<b>93.28</b>	<b>92.86</b>
<b>Debt securities</b>	<b>1,268,511</b>	<b>93.06</b>	<b>91.48</b>
<b>'AAA' credit rated bonds</b>	<b>4,427</b>	<b>0.33</b>	<b>21.02</b>
£3,325,000 Nationwide Building Society FRN 2.424% 24/02/2031	3,246	0.24	
£1,223,328 Taurus 2021-4 FRN 2.9092% 17/08/2031	1,181	0.09	
<b>'AA' credit rated bonds</b>	<b>300,370</b>	<b>22.03</b>	<b>4.28</b>
€3,000,000 Exxon Mobil 1.408% 26/06/2039	1,750	0.13	
€28,500,000 France (Republic of) 1.5% 25/05/2050	18,290	1.34	
£226,972 Intu Metrocentre 1% 23/12/2023	227	0.02	
£2,508,000 Metropolitan Life Global Funding I 1.625% 12/10/2028	1,975	0.14	
£13,060,955 UK Treasury 0.625% 22/10/2050	5,908	0.43	
US\$50,000,000 US Treasury 0.75% 31/03/2026	40,245	2.95	
US\$25,000,000 US Treasury 1% 31/07/2028	19,145	1.40	
US\$25,000,000 US Treasury 1.25% 30/06/2028	19,473	1.43	
US\$25,000,000 US Treasury 1.5% 15/02/2025	21,208	1.56	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'AA' credit rated bonds (continued)</b>			
US\$50,000,000 US Treasury 2.25% 15/11/2025	42,656	3.13	
US\$30,000,000 US Treasury 2.25% 15/11/2027	24,933	1.83	
US\$50,000,000 US Treasury 2.25% 15/05/2041	34,678	2.54	
US\$40,000,000 US Treasury 2.875% 15/08/2028	34,102	2.50	
US\$4,500,000 US Treasury 3.25% 15/05/2042	3,666	0.27	
US\$37,500,000 US Treasury 3.625% 15/08/2043	32,114	2.36	
<b>'A' credit rated bonds</b>	<b>124,085</b>	<b>9.10</b>	<b>10.81</b>
€1,141,000 Argentum Netherlands for Zurich Insurance Var. Rate 2.75% 19/02/2049	852	0.06	
£1,188,000 Assura Financing 3% 19/07/2028	988	0.07	
£3,500,000 AXA Var. Rate 5.625% 16/01/2054	2,851	0.21	
€6,500,000 Bank of America Var. Rate 0.694% 22/03/2031	4,378	0.32	
£3,500,000 Bank of America Var. Rate 1.667% 02/06/2029	2,681	0.20	
US\$5,000,000 Bank of America Var. Rate 1.922% 24/10/2031	3,357	0.25	
£1,998,000 Bank of America Var. Rate 3.584% 27/04/2031	1,630	0.12	
US\$3,500,000 Bank of America Var. Rate 4.376% 27/04/2028	2,971	0.22	
€3,400,000 Banque Fédérative du Crédit Mutuel 0.625% 03/11/2028	2,386	0.17	
€1,000,000 Banque Fédérative du Crédit Mutuel 0.625% 21/02/2031	646	0.05	
€2,500,000 Banque Fédérative du Crédit Mutuel 1.375% 02/04/2030	1,848	0.14	
€2,500,000 Chubb 0.875% 15/12/2029	1,763	0.13	
€2,600,000 Chubb 1.4% 15/06/2031	1,820	0.13	
US\$1,249,000 Comcast Cable Communications 8.5% 01/05/2027	1,289	0.09	
€1,600,000 Crédit Agricole Var. Rate 0.5% 21/09/2029	1,119	0.08	
€2,500,000 Crédit Agricole 0.875% 14/01/2032	1,607	0.12	
€667,000 ELM Var. Rate 3.375% 29/09/2047	517	0.04	
€1,218,000 ELM Var. Rate 4.5% Perpetual	979	0.07	
€2,700,000 Hannover Rueck Var. Rate 1.375% 30/06/2042	1,672	0.12	
€2,400,000 Hannover Rueck Var. Rate 1.75% 08/10/2040	1,609	0.12	
US\$1,400,000 Henkel 1.75% 17/11/2026	1,115	0.08	
€3,500,000 JPMorgan Chase Var. Rate 1.812% 12/06/2029	2,699	0.20	
£2,500,000 JPMorgan Chase Var. Rate 1.895% 28/04/2033	1,722	0.13	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'A' credit rated bonds (continued)</b>			
US\$3,000,000 JPMorgan Chase Var. Rate 2.069% 01/06/2029	2,210	0.16	
US\$8,000,000 JPMorgan Chase Var. Rate 2.963% 25/01/2033	5,686	0.42	
US\$1,779,000 JPMorgan Chase Var. Rate 4.586% 26/04/2033	1,443	0.11	
US\$1,267,000 JPMorgan Chase Var. Rate 4.851% 25/07/2028	1,099	0.08	
US\$4,500,000 JPMorgan Chase Var. Rate 4.912% 25/07/2033	3,754	0.28	
€2,000,000 KKR 1.625% 22/05/2029	1,462	0.11	
£2,790,000 Leeds Building Society 1.375% 06/10/2027	2,192	0.16	
US\$1,727,000 Legrand France 8.5% 15/02/2025	1,690	0.12	
US\$5,000,000 Meta 4.65% 15/08/2062	3,685	0.27	
€3,000,000 Mizuho Financial Var. Rate 0.47% 06/09/2029	2,082	0.15	
€1,400,000 Morgan Stanley Var. Rate 0.406% 29/10/2027	1,064	0.08	
€6,600,000 Morgan Stanley Var. Rate 0.495% 26/10/2029	4,642	0.34	
€4,000,000 Morgan Stanley Var. Rate 0.497% 07/02/2031	2,658	0.19	
€2,500,000 Morgan Stanley Var. Rate 1.102% 29/04/2033	1,616	0.12	
US\$3,900,000 Morgan Stanley Var. Rate 1.794% 13/02/2032	2,580	0.19	
US\$2,000,000 Morgan Stanley Var. Rate 3.591% 22/07/2028	1,635	0.12	
US\$5,000,000 Morgan Stanley Var. Rate 3.622% 01/04/2031	3,890	0.29	
€800,000 Münchener Rückversicherungs-Gesellschaft Var. Rate 1% 26/05/2042	473	0.03	
US\$2,200,000 Münchener Rückversicherungs-Gesellschaft Var. Rate 5.875% 23/05/2042	1,874	0.14	
€4,000,000 Nationwide Building Society 0.25% 14/09/2028	2,795	0.20	
€2,000,000 Philip Morris International 0.8% 01/08/2031	1,246	0.09	
€10,000,000 Philip Morris International 1.45% 01/08/2039	4,969	0.36	
€1,000,000 Philip Morris International 1.875% 06/11/2037	534	0.04	
€1,714,000 Philip Morris International 2% 09/05/2036	984	0.07	
€1,098,000 Philip Morris International 3.125% 03/06/2033	780	0.06	
US\$2,178,250 Project Silver 3.967% 15/07/2044	1,623	0.12	
€2,483,000 Public Storage 0.5% 09/09/2030	1,640	0.12	
US\$3,035,817 Slam 2021-1 2.434% 15/06/2046	2,256	0.17	
€2,277,000 Swiss Life Finance I 3.25% 31/08/2029	1,880	0.14	



# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'A' credit rated bonds (continued)</b>			
£5,000,000 Toronto-Dominion Bank 2.875% 05/04/2027	4,270	0.31	
€2,000,000 TotalEnergies Var. Rate 2% Perpetual	1,289	0.09	
€2,452,000 TotalEnergies Var. Rate 2.125% Perpetual	1,463	0.11	
€1,000,000 UBS 1.25% 01/09/2026	791	0.06	
£3,139,000 UBS Var. Rate 1.875% 03/11/2029	2,357	0.17	
US\$554,000 UBS Var. Rate 3.126% 13/08/2030	413	0.03	
US\$1,103,000 US Bancorp Var. Rate 4.967% 22/07/2033	935	0.07	
US\$432,000 Willow No. 2 Var. Rate 4.25% 01/10/2045	343	0.02	
US\$4,500,000 Zurich Finance Ireland Designated Activity Var. Rate 3% 19/04/2051	2,803	0.21	
£3,000,000 Zurich Finance Ireland Designated Activity Var. Rate 5.125% 23/11/2052	2,480	0.18	
<b>'BBB' credit rated bonds</b>	<b>584,960</b>	<b>42.91</b>	<b>39.46</b>
£496,000 3i 5.75% 03/12/2032	457	0.03	
US\$5,000,000 AerCap Ireland Capital 3.3% 30/01/2032	3,395	0.25	
US\$2,000,000 AerCap Ireland Capital 3.4% 29/10/2033	1,315	0.10	
€11,000,000 Altria 3.125% 15/06/2031	7,943	0.58	
US\$7,000,000 Altria 3.875% 16/09/2046	4,007	0.29	
US\$1,835,000 Altria 4.5% 02/05/2043	1,146	0.08	
US\$5,000,000 Altria 5.8% 14/02/2039	3,914	0.29	
US\$6,048,000 Altria 5.95% 14/02/2049	4,570	0.34	
US\$4,000,000 Amgen 4.4% 22/02/2062	2,821	0.21	
US\$935,000 Amgen 4.875% 01/03/2053	740	0.05	
£1,247,000 Anglo American Capital 3.375% 11/03/2029	979	0.07	
US\$1,766,000 Anglo American Capital 4.75% 16/03/2052	1,230	0.09	
US\$1,500,000 Anheuser-Busch 4.9% 01/02/2046	1,159	0.08	
US\$1,500,000 Anheuser-Busch InBev Worldwide 4.6% 15/04/2048	1,114	0.08	
US\$2,000,000 Anheuser-Busch InBev Worldwide 4.75% 15/04/2058	1,456	0.11	
£1,028,000 Annington Funding 2.308% 06/10/2032	690	0.05	
£1,164,000 Annington Funding 2.924% 06/10/2051	619	0.05	
US\$432,000 Argentum Netherlands for Swiss Re Var. Rate 5.75% 15/08/2050	354	0.03	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
£1,700,000 Aroundtown 3% 16/10/2029	1,228	0.09	
US\$800,000 Aroundtown 5.375% 21/03/2029	597	0.04	
€4,000,000 Assicurazioni Generali Var. Rate 5.5% 27/10/2047	3,371	0.25	
£4,000,000 Australia & New Zealand Banking Var. Rate 1.809% 16/09/2031	3,120	0.23	
US\$1,000,000 Australia & New Zealand Banking Var. Rate 2.57% 25/11/2035	659	0.05	
£1,000,000 Aviva Var. Rate 4% 03/06/2055	669	0.05	
£2,269,000 Aviva Var. Rate 4.375% 12/09/2049	1,807	0.13	
£4,000,000 Aviva Var. Rate 5.125% 04/06/2050	3,259	0.24	
£3,000,000 Aviva Var. Rate 6.125% 14/11/2036	2,770	0.20	
£1,000,000 Aviva Var. Rate 6.875% Perpetual	795	0.06	
US\$5,000,000 Banco Bilbao Vizcaya Argentaria Var. Rate 6.138% 14/09/2028	4,376	0.32	
£2,700,000 Banco Santander 1.5% 14/04/2026	2,208	0.16	
£1,600,000 Banco Santander 1.75% 17/02/2027	1,260	0.09	
£5,000,000 Banco Santander Var. Rate 2.25% 04/10/2032	3,711	0.27	
£2,000,000 Banco Santander Var. Rate 3.125% 06/10/2026	1,771	0.13	
US\$2,000,000 Banco Santander Var. Rate 3.225% 22/11/2032	1,275	0.09	
US\$2,090,000 Bangkok Bank Var. Rate 3.466% 23/09/2036	1,458	0.11	
US\$5,000,000 Bank of America Var. Rate 2.482% 21/09/2036	3,270	0.24	
US\$8,500,000 Bank of America Var. Rate 3.846% 08/03/2037	6,203	0.46	
€3,500,000 Bankinter Var. Rate 1.25% 23/12/2032	2,360	0.17	
€2,400,000 Banque Fédérative du Crédit Mutuel 1.125% 19/11/2031	1,466	0.11	
€5,000,000 Banque Fédérative du Crédit Mutuel Var. Rate 3.875% 16/06/2032	4,011	0.29	
US\$1,105,000 Barclays Var. Rate 5.746% 09/08/2033	908	0.07	
£1,571,000 BAT International Finance 2.25% 09/09/2052	620	0.05	
£2,952,000 BAT International Finance 4% 23/11/2055	1,522	0.11	
£164,000 BAT International Finance 5.75% 05/07/2040	119	0.01	
€2,500,000 Bayerische Landesbank Var. Rate 1% 23/09/2031	1,750	0.13	
€2,137,000 Bevco Lux 1% 16/01/2030	1,351	0.10	
€2,500,000 BNP Paribas Var. Rate 0.5% 19/02/2028	1,853	0.14	
€4,500,000 BNP Paribas Var. Rate 0.5% 19/01/2030	3,057	0.22	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
€5,400,000 BNP Paribas Var. Rate 0.875% 31/08/2033	3,517	0.26	
£3,000,000 BNP Paribas 1.25% 13/07/2031	1,928	0.14	
£1,200,000 BNP Paribas Var. Rate 2% 24/05/2031	962	0.07	
US\$1,500,000 BNP Paribas Var. Rate 4.375% 01/03/2033	1,168	0.09	
US\$3,864,000 BNP Paribas 4.625% 13/03/2027	3,230	0.24	
US\$2,000,000 Boeing 5.15% 01/05/2030	1,674	0.12	
US\$8,000,000 Boeing 5.705% 01/05/2040	6,331	0.46	
US\$11,000,000 Boeing 5.805% 01/05/2050	8,646	0.63	
US\$12,750,000 Boeing 5.93% 01/05/2060	9,802	0.72	
US\$1,171,000 Boston Scientific 2.65% 01/06/2030	881	0.06	
€4,000,000 BP Capital Markets Var. Rate 3.625% Perpetual	2,846	0.21	
US\$2,759,000 BPCE Var. Rate 3.582% 19/10/2042	1,613	0.12	
£1,700,000 BPCE 5.25% 16/04/2029	1,475	0.11	
£500,000 British Telecommunications 3.125% 21/11/2031	380	0.03	
£2,000,000 British Telecommunications 6.375% 23/06/2037	1,837	0.13	
US\$7,688,000 Broadcom 3.469% 15/04/2034	5,238	0.38	
US\$2,500,000 Broadcom 4.3% 15/11/2032	1,904	0.14	
£2,800,000 BUPA Finance 4.125% 14/06/2035	1,905	0.14	
£1,943,000 BUPA Finance 5% 08/12/2026	1,718	0.13	
€3,400,000 Bureau Veritas 1.875% 06/01/2025	2,877	0.21	
£3,000,000 Cadent Finance 2.125% 22/09/2028	2,345	0.17	
€2,500,000 CaixaBank Var. Rate 0.75% 26/05/2028	1,814	0.13	
€3,600,000 CaixaBank Var. Rate 1.625% 13/04/2026	2,941	0.22	
£4,400,000 CaixaBank Var. Rate 3.5% 06/04/2028	3,675	0.27	
€4,000,000 Capital One Financial 1.65% 12/06/2029	2,780	0.20	
€3,695,000 Celanese 5.337% 19/01/2029	2,949	0.22	
US\$1,411,000 Celanese 6.379% 15/07/2032	1,174	0.09	
€2,613,000 Channel Link Enterprises Finance Var. Rate 2.706% 30/06/2050	2,108	0.15	
£1,943,000 Channel Link Enterprises Finance Var. Rate 3.043% 30/06/2050	1,554	0.11	
£360,000 Channel Link Enterprises Finance 3.848% 30/06/2050	255	0.02	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
US\$750,000 Citigroup Var. Rate 3.057% 25/01/2033	535	0.04	
US\$8,099,000 Citigroup Var. Rate 3.785% 17/03/2033	6,138	0.45	
£2,276,000 Citigroup 4.5% 03/03/2031	1,895	0.14	
US\$500,000 Citigroup Var. Rate 4.91% 24/05/2033	416	0.03	
US\$864,000 Citigroup 6.625% 15/06/2032	787	0.06	
£1,000,000 CK Hutchison Telecom Finance 2% 17/10/2027	780	0.06	
£1,000,000 CK Hutchison Telecom Finance 2.625% 17/10/2034	623	0.05	
€1,800,000 Cooperatieve Rabobank Var. Rate 3.875% 30/11/2032	1,499	0.11	
£2,500,000 Cooperatieve Rabobank 4.625% 23/05/2029	2,102	0.15	
€800,000 Cooperatieve Rabobank Var. Rate 4.875% Perpetual	537	0.04	
£1,506,000 Coventry Building Society 2% 20/12/2030	1,060	0.08	
£1,964,000 CPUK Finance 3.69% 28/08/2028	1,629	0.12	
€500,000 Crédit Agricole Var. Rate 1.625% 05/06/2030	399	0.03	
£2,100,000 Crédit Agricole Var. Rate 1.874% 09/12/2031	1,634	0.12	
£500,000 Crédit Agricole Var. Rate 7.5% Perpetual	455	0.03	
€2,600,000 Crédit Agricole Assurances 1.5% 06/10/2031	1,626	0.12	
€3,000,000 Danske Bank Var. Rate 0.75% 09/06/2029	2,098	0.15	
£3,000,000 Danske Bank Var. Rate 2.25% 14/01/2028	2,420	0.18	
£651,810 Delamare Finance 5.5457% 19/02/2029	633	0.05	
£200,000 Delamare Finance 6.067% 19/02/2029	189	0.01	
€2,000,000 Deutsche Bahn Finance Var. Rate 0.95% Perpetual	1,553	0.11	
€2,000,000 Deutsche Bahn Finance Var. Rate 1.6% Perpetual	1,302	0.10	
US\$8,892,000 Deutsche Telekom International Finance 8.75% 15/06/2030	9,222	0.68	
US\$1,500,000 Deutsche Telekom International Finance 9.25% 01/06/2032	1,662	0.12	
€2,093,000 Duke Energy 3.1% 15/06/2028	1,734	0.13	
£1,056,000 DWR Cymru Financing 2.375% 31/03/2034	719	0.05	
US\$9,000,000 Électricité de France 6% 22/01/2114	7,095	0.52	
£2,900,000 Électricité de France 6% 23/01/2114	2,565	0.19	
€2,000,000 ELO SACA 3.25% 23/07/2027	1,578	0.12	
€1,352,000 Enel Var. Rate 1.375% Perpetual	883	0.06	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
€1,389,000 Enel Var. Rate 1.875% Perpetual	802	0.06	
€4,000,000 Enel Var. Rate 3.5% Perpetual	3,206	0.24	
US\$1,026,000 Enel Var. Rate 8.75% 24/09/2073	930	0.07	
US\$3,000,000 Enel Finance International 3.5% 06/04/2028	2,354	0.17	
€4,903,000 ENGIE 5.95% 16/03/2111	4,494	0.33	
€2,000,000 Eni Var. Rate 2.625% Perpetual	1,512	0.11	
€3,500,000 Eni Var. Rate 2.75% Perpetual	2,160	0.16	
US\$3,500,000 Eni 4.75% 12/09/2028	2,991	0.22	
€2,156,000 Fastighets Balder 1.875% 14/03/2025	1,669	0.12	
€1,486,000 Fastighets Balder 1.875% 23/01/2026	1,100	0.08	
US\$4,218,000 Fresenius Medical Care US Finance III 3.75% 15/06/2029	3,200	0.23	
£500,000 Gatwick Funding 2.625% 07/10/2046	255	0.02	
£3,600,000 Gatwick Funding 2.875% 05/07/2049	1,891	0.14	
£5,300,000 Gatwick Funding 3.125% 28/09/2039	3,238	0.24	
£3,800,000 Gatwick Funding 3.25% 26/02/2048	2,194	0.16	
£500,000 Gatwick Funding 4.625% 27/03/2034	404	0.03	
£2,000,000 Gatwick Funding 5.75% 23/01/2037	1,723	0.13	
£2,949 General Electric 6.44% 15/11/2022	3	0.00	
US\$4,800,000 General Motors 6.6% 01/04/2036	4,059	0.30	
US\$1,000,000 General Motors Financial 3.6% 21/06/2030	734	0.05	
£3,000,000 Goldman Sachs 1.5% 07/12/2027	2,314	0.17	
£2,000,000 Goldman Sachs 3.125% 25/07/2029	1,588	0.12	
£509,000 Goldman Sachs Var. Rate 3.625% 29/10/2029	423	0.03	
€557,000 Goldman Sachs 4% 21/09/2029	473	0.03	
US\$4,796,000 Goldman Sachs FRN 4.8247% 15/03/2028	4,265	0.31	
£1,891,000 Grainger 3% 03/07/2030	1,349	0.10	
£904,486 Greene King Finance 3.593% 15/03/2035	755	0.06	
£175,686 Greene King Finance 4.0643% 15/03/2035	146	0.01	
£1,360,494 Greene King Finance FRN 4.7341% 15/12/2033	1,287	0.09	
£3,500,000 H.J. Heinz Finance 6.25% 18/02/2030	3,276	0.24	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
£2,794,000 Hammerson 3.5% 27/10/2025	2,315	0.17	
£101,000 Hammerson 6% 23/02/2026	87	0.01	
£788,000 Hammerson 7.25% 21/04/2028	675	0.05	
€2,361,000 Hammerson Ireland Finance 1.75% 03/06/2027	1,512	0.11	
€1,500,000 Heathrow Funding 1.5% 11/02/2030	1,085	0.08	
€2,680,000 Heathrow Funding 1.875% 14/03/2034	1,670	0.12	
£2,376,000 Heathrow Funding 2.75% 13/10/2029	1,812	0.13	
£245,000 Heathrow Funding 2.75% 09/08/2049	130	0.01	
£2,000,000 Heathrow Funding 4.625% 31/10/2046	1,487	0.11	
£500,000 Heathrow Funding 5.875% 13/05/2041	441	0.03	
£1,000,000 Heathrow Funding 6.75% 03/12/2026	982	0.07	
£750,000 Heathrow Funding 7.075% 04/08/2028	746	0.05	
£1,000,000 Holcim Sterling Finance 3% 12/05/2032	732	0.05	
US\$7,000,000 HP 4.2% 15/04/2032	5,179	0.38	
€3,800,000 Iberdrola International Var. Rate 1.874% Perpetual	2,858	0.21	
€1,500,000 Iberdrola International Var. Rate 2.25% Perpetual	997	0.07	
£1,500,000 Imperial Brands Finance 4.875% 07/06/2032	1,165	0.09	
€4,500,000 ING Var. Rate 0.25% 18/02/2029	3,136	0.23	
€2,500,000 ING Var. Rate 0.375% 29/09/2028	1,791	0.13	
€2,500,000 ING Var. Rate 0.875% 09/06/2032	1,777	0.13	
€3,000,000 ING Var. Rate 1% 13/11/2030	2,275	0.17	
€2,800,000 ING Var. Rate 1% 16/11/2032	1,949	0.14	
€2,000,000 ING Var. Rate 1.625% 26/09/2029	1,635	0.12	
€4,000,000 ING Var. Rate 2.125% 26/05/2031	3,143	0.23	
US\$701,000 ING Var. Rate 4.252% 28/03/2033	540	0.04	
£1,397,000 InterContinental Hotels 2.125% 24/08/2026	1,140	0.08	
€2,000,000 InterContinental Hotels 2.125% 15/05/2027	1,555	0.11	
£3,000,000 InterContinental Hotels 3.375% 08/10/2028	2,390	0.18	
£750,000 Intesa Sanpaolo 2.625% 11/03/2036	430	0.03	
US\$7,000,000 Italy (Republic of) 3.875% 06/05/2051	4,279	0.31	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
US\$3,000,000 JPMorgan Chase Var. Rate 5.717% 14/09/2033	2,566	0.19	
€500,000 KBC Var. Rate 0.125% 14/01/2029	351	0.03	
€3,400,000 KBC Var. Rate 0.625% 07/12/2031	2,402	0.18	
£1,700,000 KBC Var. Rate 1.25% 21/09/2027	1,367	0.10	
£2,000,000 KPN 5.75% 17/09/2029	1,854	0.14	
£4,000,000 Kraft Heinz Foods 4.125% 01/07/2027	3,552	0.26	
US\$382,000 Kraft Heinz Foods 4.375% 01/06/2046	271	0.02	
€1,500,000 La Banque Postale 0.75% 23/06/2031	954	0.07	
US\$4,000,000 Lear 5.25% 15/05/2049	2,910	0.21	
£1,500,000 Leeds Building Society Var. Rate 3.75% 25/04/2029	1,198	0.09	
£5,800,000 Legal & General Var. Rate 3.75% 26/11/2049	4,331	0.32	
£2,000,000 Legal & General Var. Rate 4.5% 01/11/2050	1,542	0.11	
£6,500,000 Legal & General Var. Rate 5.125% 14/11/2048	5,472	0.40	
£7,500,000 Legal & General Var. Rate 5.5% 27/06/2064	5,675	0.42	
£200,000 Lloyds Bank 11.75% Perpetual	360	0.03	
£4,500,000 Lloyds Banking Var. Rate 1.985% 15/12/2031	3,518	0.26	
£8,000,000 Lloyds Banking Var. Rate 2.707% 03/12/2035	5,363	0.39	
€2,305,000 Lloyds Banking Var. Rate 3.125% 24/08/2030	1,823	0.13	
£625,000 Logicor Financing 2.75% 15/01/2030	463	0.03	
US\$1,455,000 Lowe's 3.75% 01/04/2032	1,140	0.08	
US\$1,600,000 Lowe's 4.45% 01/04/2062	1,088	0.08	
US\$1,026,000 LYB Finance 8.1% 15/03/2027	1,013	0.07	
US\$2,000,000 Magallanes 5.141% 15/03/2052	1,309	0.10	
US\$6,500,000 Magallanes 5.391% 15/03/2062	4,270	0.31	
£500,000 Manchester Airport Group Funding 2.875% 31/03/2039	308	0.02	
£1,000,000 Manchester Airport Group Funding 2.875% 30/09/2044	570	0.04	
£1,000,000 Manchester Airport Group Funding 4.75% 31/03/2034	846	0.06	
€400,000 Merck Var. Rate 2.875% 25/06/2079	300	0.02	
€316,000 Mexico (United Mexican States) 1.45% 25/10/2033	182	0.01	
€6,612,000 Mexico (United Mexican States) 2.125% 25/10/2051	2,996	0.22	

# Portfolio statement

## Investments (continued)

Holding		as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>				
<b>Debt securities (continued)</b>				
<b>'BBB' credit rated bonds (continued)</b>				
€6,273,000	Mexico (United Mexican States) 4% 15/03/2115	3,632	0.27	
US\$1,110,000	Mexico (United Mexican States) 4.4% 12/02/2052	691	0.05	
£14,000,000	Mexico (United Mexican States) 5.625% 19/03/2114	9,493	0.70	
£124,344	Mitchells & Butlers Finance FRN 2.6841% 15/12/2030	111	0.01	
£1,736,984	Mitchells & Butlers Finance FRN 2.9534% 15/12/2033	1,499	0.11	
US\$1,557,781	Mitchells & Butlers Finance FRN 3.7426% 15/12/2030	1,268	0.09	
US\$8,000,000	Molson Coors Beverage 4.2% 15/07/2046	5,454	0.40	
US\$500,000	Molson Coors Beverage 5% 01/05/2042	384	0.03	
US\$3,500,000	Mondelēz International 3% 17/03/2032	2,595	0.19	
£1,404,000	Mondelēz International 3.875% 06/03/2045	1,017	0.07	
US\$6,000,000	Morgan Stanley Var. Rate 2.484% 16/09/2036	3,946	0.29	
US\$5,000,000	National Australia Bank Var. Rate 3.347% 12/01/2037	3,502	0.26	
€1,767,000	National Grid 0.25% 01/09/2028	1,245	0.09	
€1,517,000	National Grid 0.75% 01/09/2033	898	0.07	
£1,000,000	National Grid Gas 1.125% 14/01/2033	599	0.04	
£1,000,000	National Grid Gas 1.625% 14/01/2043	465	0.03	
US\$2,250,000	Nationwide Building Society Var. Rate 2.972% 16/02/2028	1,757	0.13	
€3,080,000	NatWest Var. Rate 0.67% 14/09/2029	2,091	0.15	
£2,435,000	NatWest Var. Rate 2.057% 09/11/2028	1,876	0.14	
£3,658,000	NatWest Var. Rate 3.619% 29/03/2029	2,989	0.22	
£3,500,000	Next 3.625% 18/05/2028	2,830	0.21	
£1,826,000	Next 4.375% 02/10/2026	1,627	0.12	
€4,076,000	NN Var. Rate 5.25% 01/03/2043	3,263	0.24	
£1,658,000	Nordea Bank Var. Rate 1.625% 09/12/2032	1,230	0.09	
€2,000,000	Orange Var. Rate 1.375% Perpetual	1,317	0.10	
€2,000,000	Orange Var. Rate 1.75% Perpetual	1,383	0.10	
€2,000,000	Orange Var. Rate 2.375% Perpetual	1,614	0.12	
£1,752,000	Ørsted 5.125% 13/09/2034	1,616	0.12	
£2,000,000	Pearson Funding 3.75% 04/06/2030	1,633	0.12	
€3,825,000	Prosus 1.288% 13/07/2029	2,374	0.17	



# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
€4,400,000	Quadiant 2.25% 03/02/2025	3,436	0.25
€1,200,000	Raiffeisen Bank International Var. Rate 7.375% 20/12/2032	1,017	0.07
€1,490,000	Rentokil Initial 0.5% 14/10/2028	1,047	0.08
€2,500,000	Romania (Republic of) 1.75% 13/07/2030	1,422	0.10
€2,500,000	Romania (Republic of) 2.875% 13/04/2042	1,130	0.08
€1,000,000	Romania (Republic of) 3.375% 28/01/2050	453	0.03
€1,800,000	Sampo Var. Rate 2.5% 03/09/2052	1,162	0.09
£3,544,000	Santander Var. Rate 2.421% 17/01/2029	2,764	0.20
US\$1,347,000	SK Hynix 2.375% 19/01/2031	906	0.07
€3,500,000	Société Générale Var. Rate 0.5% 12/06/2029	2,426	0.18
€1,500,000	Société Générale Var. Rate 1% 24/11/2030	1,124	0.08
€1,700,000	Société Générale 1.375% 13/01/2028	1,278	0.09
US\$2,000,000	Société Générale Var. Rate 2.226% 21/01/2026	1,635	0.12
US\$1,500,000	Société Générale Var. Rate 2.797% 19/01/2028	1,147	0.08
US\$4,719,000	Société Générale Var. Rate 3.337% 21/01/2033	3,211	0.24
US\$500,000	Société Générale Var. Rate 3.653% 08/07/2035	345	0.03
US\$2,500,000	Société Générale 4.25% 19/08/2026	2,079	0.15
US\$3,671,000	Société Générale 4.75% 24/11/2025	3,139	0.23
US\$2,500,000	Société Générale Var. Rate (non-public offering) 3.653% 08/07/2035	1,721	0.13
€4,000,000	Southern Var. Rate 1.875% 15/09/2081	2,452	0.18
£2,695,000	Southern Water Services Finance 2.375% 28/05/2028	2,175	0.16
£1,500,000	Southern Water Services Finance 3% 28/05/2037	1,014	0.07
€2,000,000	SSE Var. Rate 4% Perpetual	1,541	0.11
US\$2,591,000	Stora Enso 7.25% 15/04/2036	2,472	0.18
£859,000	Swedbank Var. Rate 1.375% 08/12/2027	685	0.05
€1,260,000	Swedbank Var. Rate 3.625% 23/08/2032	1,032	0.08
€800,000	Swiss Re Finance Var. Rate 2.714% 04/06/2052	525	0.04
US\$2,300,000	Targa Resources Partners 4.875% 01/02/2031	1,800	0.13
US\$2,500,000	Telefónica Emisiones 5.213% 08/03/2047	1,727	0.13
US\$1,500,000	Telefónica Emisiones 5.52% 01/03/2049	1,080	0.08

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
US\$5,000,000 Telefónica Emisiones 7.045% 20/06/2036	4,468	0.33	
£943,000 Telereal Securitisation Var. Rate 1.9632% 10/12/2033	801	0.06	
£5,447,708 Tesco Property Finance 4 5.8006% 13/10/2040	4,792	0.35	
£2,695,947 Tesco Property Finance 5 5.6611% 13/10/2041	2,326	0.17	
£4,589,637 Tesco Property Finance 6 5.4111% 13/07/2044	3,866	0.28	
€4,000,000 Thames Water Utilities Finance 1.25% 31/01/2032	2,565	0.19	
£2,000,000 Thames Water Utilities Finance 2.625% 24/01/2032	1,467	0.11	
£1,602,000 Thames Water Utilities Finance 4.375% 03/07/2034	1,317	0.10	
£2,000,000 Thames Water Utilities Finance 5.125% 28/09/2037	1,704	0.12	
US\$5,000,000 T-Mobile USA 3.875% 15/04/2030	4,000	0.29	
US\$340,688 United Airlines 2020-1 Class B Pass Through Trust 4.875% 15/01/2026	283	0.02	
€1,982,000 Upjohn Finance 1.362% 23/06/2027	1,482	0.11	
US\$864,000 UPM-Kymmene 7.45% 26/11/2027	843	0.06	
US\$1,440,000 Volkswagen Group of America Finance 4.75% 13/11/2028	1,215	0.09	
£400,000 Volkswagen International Finance 3.375% 16/11/2026	345	0.03	
£1,500,000 Volkswagen International Finance 4.125% 17/11/2031	1,209	0.09	
€1,600,000 Volkswagen International Finance 4.125% 16/11/2038	1,284	0.09	
€5,000,000 Volkswagen International Finance Var. Rate 4.375% Perpetual	3,440	0.25	
€2,500,000 Vonovia 1.625% 01/09/2051	1,044	0.08	
£1,424,000 Walgreens Boots Alliance 3.6% 20/11/2025	1,318	0.10	
€2,000,000 Wells Fargo 1% 02/02/2027	1,539	0.11	
€1,500,000 Wells Fargo 1.5% 24/05/2027	1,171	0.09	
€6,000,000 Wells Fargo Var. Rate 1.741% 04/05/2030	4,443	0.33	
£5,750,000 Wells Fargo 2.125% 24/09/2031	4,049	0.30	
£1,000,000 Wells Fargo 2.5% 02/05/2029	776	0.06	
£3,502,000 Wells Fargo Var. Rate 3.473% 26/04/2028	3,017	0.22	
£1,080,000 Wells Fargo 3.5% 12/09/2029	890	0.07	
US\$1,250,000 Wells Fargo Var. Rate 4.808% 25/07/2028	1,081	0.08	
£1,000,000 Wells Fargo 4.875% 29/11/2035	795	0.06	
£275,000 Welltower 4.5% 01/12/2034	220	0.02	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BBB' credit rated bonds (continued)</b>			
£1,541,000 Welltower 4.8% 20/11/2028	1,383	0.10	
US\$2,532,000 Westpac Banking Var. Rate 3.02% 18/11/2036	1,695	0.12	
US\$290,000 Weyerhaeuser 7.375% 15/03/2032	284	0.02	
€3,858,000 WPC Eurobond 1.35% 15/04/2028	2,797	0.21	
£2,000,000 WPP Finance 2013 2.875% 14/09/2046	1,063	0.08	
£4,000,000 WPP Finance 2017 3.75% 19/05/2032	3,114	0.23	
£1,620,000 Yorkshire Building Society Var. Rate 1.5% 15/09/2029	1,162	0.09	
£679,000 Yorkshire Building Society Var. Rate 3% 18/04/2025	638	0.05	
<b>'BB' credit rated bonds</b>	<b>191,483</b>	<b>14.05</b>	<b>13.04</b>
€2,000,000 AIB Var. Rate 1.875% 19/11/2029	1,592	0.12	
€5,500,000 AIB Var. Rate 2.875% 30/05/2031	4,246	0.31	
US\$1,024,438 American Airlines 5.5% 20/04/2026	864	0.06	
€7,000,000 AT&T Var. Rate 2.875% Perpetual	5,434	0.40	
£1,752,000 B&M European Value Retail 4% 15/11/2028	1,333	0.10	
€5,000,000 Banco de Sabadell Var. Rate 0.875% 16/06/2028	3,460	0.25	
€3,400,000 Banco Santander Var. Rate 4.125% Perpetual	2,051	0.15	
€4,400,000 Bank of Ireland Var. Rate 1.375% 11/08/2031	3,180	0.23	
€1,500,000 Barclays Var. Rate 1.125% 22/03/2031	1,090	0.08	
€1,527,000 Belden 3.375% 15/07/2027	1,182	0.09	
€1,080,000 Belden 3.875% 15/03/2028	836	0.06	
US\$3,000,000 Berry Global 4.875% 15/07/2026	2,540	0.19	
US\$500,000 BNP Paribas Var. Rate 4.5% Perpetual	308	0.02	
US\$4,000,000 BNP Paribas Var. Rate 4.625% Perpetual	2,308	0.17	
€1,800,000 CaixaBank Var. Rate 3.625% Perpetual	1,002	0.07	
€842,000 Canpack 2.375% 01/11/2027	588	0.04	
US\$2,000,000 Carnival 4% 01/08/2028	1,464	0.11	
€2,200,000 Cellnex Finance 1% 15/09/2027	1,545	0.11	
€5,200,000 Cellnex Finance 2% 15/02/2033	2,995	0.22	
US\$2,000,000 Cellnex Finance 3.875% 07/07/2041	1,160	0.08	
€1,000,000 Cellnex Telecom 1.75% 23/10/2030	622	0.05	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BB' credit rated bonds (continued)</b>			
US\$3,299,000 Cemex 3.875% 11/07/2031	2,347	0.17	
US\$6,000,000 Charter Communications Operating 3.7% 01/04/2051	3,283	0.24	
US\$9,000,000 Charter Communications Operating 3.85% 01/04/2061	4,732	0.35	
US\$4,000,000 Charter Communications Operating 5.25% 01/04/2053	2,749	0.20	
US\$6,000,000 Colombia (Republic of) 5% 15/06/2045	3,315	0.24	
€2,000,000 Côte d'Ivoire (Republic of) 6.625% 22/03/2048	1,037	0.08	
£3,156,000 Coventry Building Society Var. Rate 6.875% Perpetual	2,820	0.21	
US\$1,080,000 CSC 5.375% 01/02/2028	846	0.06	
US\$1,943,000 CSC 5.5% 15/04/2027	1,554	0.11	
£1,850,000 Daily Mail & General Trust 6.375% 21/06/2027	1,570	0.12	
€584,000 Derichebourg 2.25% 15/07/2028	401	0.03	
€800,000 Deutsche Bank Var. Rate 4% 24/06/2032	600	0.04	
US\$1,619,000 Drax Finco 6.625% 01/11/2025	1,413	0.10	
US\$1,662,000 DT Midstream 4.375% 15/06/2031	1,222	0.09	
€2,000,000 EDP - Energias de Portugal Var. Rate 1.875% 14/03/2082	1,191	0.09	
US\$888,158 Energean Israel Finance 5.375% 30/03/2028	685	0.05	
US\$1,600,000 EQM Midstream Partners 5.5% 15/07/2028	1,235	0.09	
€1,000,000 Eurofins Scientific Var. Rate 3.25% Perpetual	796	0.06	
US\$1,144,000 Ford Motor 5.291% 08/12/2046	719	0.05	
€4,000,000 Ford Motor Credit FRN 1.32% 01/12/2024	3,307	0.24	
€1,251,000 Ford Motor Credit 3.021% 06/03/2024	1,054	0.08	
£1,000,000 Ford Motor Credit 4.535% 06/03/2025	891	0.07	
US\$1,669,000 Ford Motor Credit 4.95% 28/05/2027	1,342	0.10	
US\$3,000,000 Ford Motor Credit 5.113% 03/05/2029	2,336	0.17	
US\$2,000,000 HCA 3.5% 01/09/2030	1,496	0.11	
US\$1,818,000 HCA 3.625% 15/03/2032	1,335	0.10	
US\$4,000,000 HCA 4.5% 15/02/2027	3,382	0.25	
US\$1,233,000 HCA 4.625% 15/03/2052	834	0.06	
US\$1,943,000 HCA 5.25% 15/06/2026	1,703	0.12	
US\$2,000,000 HCA 5.5% 15/06/2047	1,531	0.11	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BB' credit rated bonds (continued)</b>			
€800,000 Iliad 1.875% 25/04/2025	641	0.05	
€2,900,000 Iliad 1.875% 11/02/2028	2,030	0.15	
€4,300,000 Iliad 2.375% 17/06/2026	3,337	0.24	
€841,000 INEOS Quattro Finance 2 2.5% 15/01/2026	609	0.04	
€3,000,000 Intesa Sanpaolo 2.925% 14/10/2030	1,998	0.15	
€1,017,000 Intesa Sanpaolo Var. Rate 3.75% Perpetual	682	0.05	
£485,000 Intesa Sanpaolo 5.148% 10/06/2030	363	0.03	
€2,563,000 Intesa Sanpaolo Var. Rate 6.375% Perpetual	1,716	0.13	
£713,000 Intesa Sanpaolo 8.505% 20/09/2032	644	0.05	
€1,300,000 Intrum 3.5% 15/07/2026	912	0.07	
£2,000,000 John Lewis 4.25% 18/12/2034	1,190	0.09	
US\$2,000,000 KB Home 4.8% 15/11/2029	1,453	0.11	
US\$2,348,000 KUO 5.75% 07/07/2027	1,935	0.14	
€1,500,000 La Banque Postale Var. Rate 0.75% 02/08/2032	1,032	0.08	
£800,000 Lloyds Banking Var. Rate 5.125% Perpetual	667	0.05	
£5,600,000 Lloyds Banking Var. Rate 7.875% Perpetual	4,844	0.36	
€1,666,000 Macedonia (Govt. of) 1.625% 10/03/2028	1,105	0.08	
US\$2,075,000 Macy's Retail 5.875% 15/03/2030	1,468	0.11	
€2,300,000 Mahle 2.375% 14/05/2028	1,326	0.10	
£432,000 Marston's Issuer Var. Rate 5.1774% 15/07/2032	396	0.03	
US\$2,331,000 Millicom International Cellular 6.25% 25/03/2029	1,768	0.13	
£68,969 Mitchells & Butlers Finance 5.965% 15/12/2023	68	0.00	
£334,830 Mitchells & Butlers Finance 6.013% 15/12/2028	308	0.02	
US\$2,000,000 Morocco (Kingdom of) 4% 15/12/2050	1,030	0.08	
£1,800,000 Nationwide Building Society Var. Rate 5.75% Perpetual	1,438	0.11	
£1,106,000 Nationwide Building Society Var. Rate 5.875% Perpetual	957	0.07	
€1,158,000 NatWest Var. Rate 1.043% 14/09/2032	792	0.06	
£3,800,000 NatWest Var. Rate 2.105% 28/11/2031	2,967	0.22	
US\$3,800,000 NatWest Var. Rate 3.032% 28/11/2035	2,451	0.18	
£1,669,000 NatWest Var. Rate 3.622% 14/08/2030	1,475	0.11	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BB' credit rated bonds (continued)</b>			
€3,000,000 NGG Finance Var. Rate 2.125% 05/09/2082	2,084	0.15	
US\$320,000 Occidental Petroleum 6.45% 15/09/2036	285	0.02	
US\$2,000,000 Paraguay (Republic of) 5.4% 30/03/2050	1,331	0.10	
€1,500,000 Repsol International Finance Var. Rate 3.75% Perpetual	1,171	0.09	
€7,000,000 Rolls-Royce 1.625% 09/05/2028	4,364	0.32	
€3,500,000 Serbia (Republic of) 1.65% 03/03/2033	1,701	0.12	
€3,500,000 Serbia (Republic of) 2.05% 23/09/2036	1,610	0.12	
€1,000,000 Solvay Finance Var. Rate 5.425% Perpetual	869	0.06	
€3,900,000 Solvay Finance Var. Rate 5.869% Perpetual	3,399	0.25	
US\$1,110,000 Southwestern Energy 4.75% 01/02/2032	832	0.06	
US\$2,910,000 Taylor Morrison Communities 5.875% 15/06/2027	2,431	0.18	
US\$1,500,000 TEGNA 4.625% 15/03/2028	1,240	0.09	
€400,000 Telefónica Europe Var. Rate 2.376% Perpetual	248	0.02	
€2,000,000 Telefónica Europe Var. Rate 2.88% Perpetual	1,348	0.10	
€3,000,000 Teva Pharmaceutical Finance Netherlands II 1.625% 15/10/2028	1,822	0.13	
£1,750,000 Time Warner Cable 5.75% 02/06/2031	1,530	0.11	
US\$5,250,000 UBS Var. Rate 4.375% Perpetual	3,099	0.23	
€400,000 UniCredit Var. Rate 2% 23/09/2029	311	0.02	
€7,000,000 UniCredit Var. Rate 2.731% 15/01/2032	4,912	0.36	
US\$1,264,000 United Airlines 4.375% 15/04/2026	1,007	0.07	
US\$775,000 United Airlines 4.625% 15/04/2029	572	0.04	
US\$2,455,000 Videotron 5.375% 15/06/2024	2,179	0.16	
€3,402,000 Vmed O2 UK Financing I 3.25% 31/01/2031	2,255	0.17	
£5,000,000 Vmed O2 UK Financing I 4% 31/01/2029	3,749	0.27	
€2,000,000 Vodafone Var. Rate 3% 27/08/2080	1,300	0.10	
US\$2,000,000 Vodafone Var. Rate 4.125% 04/06/2081	1,224	0.09	
€1,330,000 Wabtec Transportation Netherlands 1.25% 03/12/2027	945	0.07	
€1,000,000 WMG Acquisition 2.25% 15/08/2031	626	0.05	
US\$2,468,000 Yum! Brands 4.625% 31/01/2032	1,842	0.14	
US\$1,635,000 Yum! Brands 5.375% 01/04/2032	1,285	0.09	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'BB' credit rated bonds (continued)</b>			
US\$1,727,000 Yum! Brands 6.875% 15/11/2037	1,569	0.11	
€2,300,000 ZF Europe Finance 2.5% 23/10/2027	1,548	0.11	
€2,000,000 ZF Europe Finance 3% 23/10/2029	1,267	0.09	
€1,000,000 ZF Finance 2.75% 25/05/2027	700	0.05	
€1,300,000 ZF Finance 3% 21/09/2025	1,015	0.07	
€1,000,000 ZF Finance 3.75% 21/09/2028	685	0.05	
	<b>55,484</b>	<b>4.07</b>	<b>2.34</b>
<b>'B' credit rated bonds</b>			
US\$570,000 1375209 BC 9% 30/01/2028	553	0.04	
€1,707,000 Altice France 4% 15/07/2029	1,136	0.08	
€1,400,000 Altice France 5.875% 01/02/2027	1,063	0.08	
€4,800,000 Ardagh Packaging Finance 2.125% 15/08/2026	3,239	0.24	
€817,000 Avantor Funding 3.875% 15/07/2028	620	0.05	
US\$1,030,000 Avantor Funding 4.625% 15/07/2028	821	0.06	
€1,080,000 Axalta Coating Systems Dutch 3.75% 15/01/2025	870	0.06	
£2,146,000 Barclays Var. Rate 8.875% Perpetual	1,947	0.14	
US\$1,012,000 Bausch Health 11% 30/09/2028	817	0.06	
£2,000,000 Bellis Acquisition 3.25% 16/02/2026	1,502	0.11	
€1,446,000 Cheplapharm Arzneimittel 4.375% 15/01/2028	1,045	0.08	
US\$867,000 Cheplapharm Arzneimittel 5.5% 15/01/2028	653	0.05	
US\$1,000,000 CHS 4.75% 15/02/2031	616	0.05	
£884,000 CPUK Finance 4.5% 28/08/2027	743	0.05	
US\$5,000,000 Credit Suisse Var. Rate 4.5% Perpetual	2,689	0.20	
US\$1,700,000 CSC 5.75% 15/01/2030	1,084	0.08	
€719,000 Cullinan 4.625% 15/10/2026	534	0.04	
£2,037,000 Deuce Finco 5.5% 15/06/2027	1,519	0.11	
US\$1,032,000 DISH DBS 5.25% 01/12/2026	762	0.06	
US\$1,032,000 DISH DBS 5.75% 01/12/2028	702	0.05	
€1,200,000 Dufry One 3.375% 15/04/2028	804	0.06	
€496,000 Gruenenthal 3.625% 15/11/2026	374	0.03	
£500,000 Heathrow Finance 3.875% 01/03/2027	399	0.03	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'B' credit rated bonds (continued)</b>			
€1,106,000 Iliad 5.125% 15/10/2026	879	0.06	
€464,000 INEOS Quattro Finance 1 3.75% 15/07/2026	314	0.02	
€2,000,000 International Consolidated Airlines 3.75% 25/03/2029	1,182	0.09	
US\$1,306,000 MGM Resorts International 5.5% 15/04/2027	1,046	0.08	
£3,000,000 NatWest Var. Rate 4.5% Perpetual	2,026	0.15	
US\$4,068,000 Pilgrim's Pride 3.5% 01/03/2032	2,894	0.21	
US\$2,686,000 Pilgrim's Pride 4.25% 15/04/2031	1,954	0.14	
US\$587,000 Pilgrim's Pride 5.875% 30/09/2027	507	0.04	
US\$1,162,000 SCIH Salt 4.875% 01/05/2028	861	0.06	
£1,686,000 Sherwood Financing 6% 15/11/2026	1,260	0.09	
US\$2,000,000 Staples 7.5% 15/04/2026	1,512	0.11	
€1,889,000 Telecom Italia 2.875% 28/01/2026	1,500	0.11	
€13,800,000 Telecom Italia 5.25% 17/03/2055	9,281	0.68	
€1,850,000 Telecom Italia Finance 7.75% 24/01/2033	1,682	0.12	
€2,000,000 TI Automotive Finance 3.75% 15/04/2029	1,189	0.09	
€1,750,000 TK Elevator Midco 4.375% 15/07/2027	1,292	0.09	
US\$1,974,000 Vertiv 4.125% 15/11/2028	1,436	0.11	
US\$289,000 VTR Comunicaciones 5.125% 15/01/2028	177	0.01	
<b>'CCC' credit rated bonds</b>	<b>6,266</b>	<b>0.46</b>	<b>0.39</b>
US\$2,000,000 Altice France 6% 15/02/2028	1,160	0.08	
US\$201,000 Bausch Health 14% 15/10/2030	103	0.01	
£2,699,000 Metrocentre Finance 8.75% 06/12/2023	1,281	0.09	
€125,021 Selecta 8% 01/04/2026	95	0.01	
£1,112,055 SGS Finance 9% 17/03/2028	594	0.04	
€2,500,000 Sigma Holdco 5.75% 15/05/2026	1,464	0.11	
US\$1,144,000 Staples 10.75% 15/04/2027	756	0.06	
US\$1,000,000 Trivium Packaging Finance 8.5% 15/08/2027	813	0.06	
<b>'CC' credit rated bonds</b>	<b>0</b>	<b>0.00</b>	<b>0.11</b>



# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt securities (continued)</b>			
<b>'D' credit rated bonds</b>			
US\$2,000,000 Bausch Health 5% 30/01/2028	687	0.05	
£1,663,600 Intu Debenture 5.562% 31/12/2027	749	0.06	
<b>Bonds with no credit rating</b>			
ZAR2,678,858 K2016470219 South Africa 3% 31/12/2022 <sup>c</sup>	0	0.00	
US\$232,145 K2016470219 South Africa 3% 31/12/2022 <sup>c</sup>	0	0.00	
<b>Debt derivatives</b>			
<b>Credit default swaps</b>			
US\$16,000,000 Altria Dec 2026	(44)	0.00	
US\$(980,392) American Airlines Jun 2027	(243)	(0.02)	
US\$29,500,000 Brazil (Republic of) Jun 2026	1,210	0.09	
€5,000,000 British American Tobacco Jun 2026	11	0.00	
US\$(148,500,000) Markit CDX North American High Yield Series 39 5 Year Dec 2027	(5,857)	(0.43)	
US\$40,000,000 Markit CDX North American Investment Grade Series 37 5 Year Dec 2026	(109)	(0.01)	
US\$40,000,000 Markit CDX North American Investment Grade Series 38 5 Year Jun 2027	(19)	0.00	
€(80,000,000) Markit iTraxx Europe Crossover Series 36 V1 5 Year Dec 2026	(1,827)	(0.13)	
€(60,000,000) Markit iTraxx Europe Crossover Series 37 V1 5 Year Jun 2027	(1,988)	(0.15)	
€20,000,000 Markit iTraxx Europe Senior Financial Series 37 V1 5 Year Jun 2027	298	0.02	
€(2,083,333) Unibail-Rodamco-Westfield Jun 2027	(179)	(0.01)	
<b>Interest rate swaps</b>			
£20,000,000 Pay 0.471% Receive VAR Sep 2049	10,544	0.77	
£20,000,000 Pay 0.54% Receive VAR Sep 2049	10,322	0.76	
£4,000,000 Pay 1.2058% Receive VAR Feb 2052	1,674	0.12	
US\$8,000,000 Pay 1.3817% Receive VAR Sep 2051	2,165	0.16	
US\$8,000,000 Pay 1.4177% Receive VAR Sep 2051	2,119	0.16	
US\$5,000,000 Pay 1.4622% Receive VAR Nov 2051	1,274	0.09	
US\$8,000,000 Pay 1.4817% Receive VAR Nov 2051	1,991	0.15	
US\$8,000,000 Pay 1.4837% Receive VAR Sep 2051	2,029	0.15	
US\$15,000,000 Pay 1.523% Receive VAR Nov 2051	3,658	0.27	
US\$10,000,000 Pay 1.5577% Receive VAR Nov 2051	2,379	0.17	
	<b>3,034</b>	<b>0.22</b>	<b>1.38</b>
	<b>(8,747)</b>	<b>(0.64)</b>	<b>0.26</b>
	<b>2,074</b>	<b>0.15</b>	<b>0.73</b>

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt derivatives (continued)</b>			
<b>Interest rate swaps (continued)</b>			
US\$10,000,000 Pay 1.5707% Receive VAR Nov 2051	2,357	0.17	
US\$10,000,000 Pay 1.7577% Receive VAR Mar 2052	2,046	0.15	
US\$18,000,000 Pay 1.992% Receive VAR Mar 2051	2,959	0.22	
€20,000,000 Pay VAR Receive 0.444% Feb 2032	(3,652)	(0.27)	
€20,000,000 Pay VAR Receive 0.4635% Feb 2032	(3,622)	(0.27)	
€20,000,000 Pay VAR Receive 0.4883% Feb 2032	(3,583)	(0.26)	
€20,000,000 Pay VAR Receive 0.677% Mar 2032	(3,353)	(0.25)	
€20,000,000 Pay VAR Receive 0.6923% Feb 2032	(3,332)	(0.24)	
€12,000,000 Pay VAR Receive 0.7183% Feb 2032	(1,979)	(0.14)	
€20,000,000 Pay VAR Receive 0.7233% Mar 2032	(3,229)	(0.24)	
€20,000,000 Pay VAR Receive 0.7478% Mar 2032	(3,188)	(0.23)	
€10,000,000 Pay VAR Receive 1.1208% Mar 2032	(1,416)	(0.10)	
€8,000,000 Pay VAR Receive 1.3078% Apr 2032	(962)	(0.07)	
€20,000,000 Pay VAR Receive 1.5343% Aug 2027	(1,048)	(0.08)	
€20,000,000 Pay VAR Receive 1.5368% Aug 2027	(1,046)	(0.08)	
€7,500,000 Pay VAR Receive 1.5673% Apr 2032	(761)	(0.06)	
€8,000,000 Pay VAR Receive 1.5708% Apr 2032	(810)	(0.06)	
€5,000,000 Pay VAR Receive 1.6363% Apr 2032	(480)	(0.04)	
€5,000,000 Pay VAR Receive 1.7168% May 2032	(451)	(0.03)	
€7,500,000 Pay VAR Receive 1.7378% May 2032	(664)	(0.05)	
€8,000,000 Pay VAR Receive 1.7623% May 2032	(693)	(0.05)	
€10,000,000 Pay VAR Receive 1.7723% May 2032	(862)	(0.06)	
€25,000,000 Pay VAR Receive 2.093% Jun 2032	(1,594)	(0.12)	
€70,000,000 Pay VAR Receive 2.1783% Jul 2032	(4,099)	(0.30)	
€10,000,000 Pay VAR Receive 2.6008% Jun 2032	(255)	(0.02)	
£35,000,000 Pay VAR Receive 3.31% Aug 2027	(2,364)	(0.17)	
<b>Interest rate futures</b>	<b>9,707</b>	<b>0.71</b>	<b>0.39</b>
600 10 Year US Treasury Note Dec 2022	(689)	(0.05)	
(326) 30 Year Euro Buxl Bond Dec 2022	3,526	0.26	
(1,053) Euro-Bund Dec 2022	5,612	0.41	

# Portfolio statement

## Investments (continued)

Holding	as at 30.09.22 £'000	as at 30.09.22 %	as at 30.09.21 %
<b>Fixed income (continued)</b>			
<b>Debt derivatives (continued)</b>			
<b>Interest rate futures (continued)</b>			
(100) Long Gilt Dec 2022	1,281	0.09	
70 US Ultra Bond Dec 2022	(23)	0.00	
<b>Currency</b>	<b>(55,045)</b>	<b>(4.04)</b>	<b>(0.73)</b>
<b>Forward currency contracts</b>	<b>(55,045)</b>	<b>(4.04)</b>	<b>(0.73)</b>
€34,480,813 Bought for £30,091,420 (expires 19.10.22)	350	0.03	
€40,637,425 Bought for £36,767,064 (expires 07.12.22)	(782)	(0.06)	
€(174,731,638) Sold for £153,878,642 (expires 07.12.22)	(847)	(0.06)	
€(150,552,685) Sold for £128,163,160 (expires 16.11.22)	(4,960)	(0.36)	
€(188,726,083) Sold for £160,868,549 (expires 19.10.22)	(5,747)	(0.42)	
CHF629,783 Bought for £579,392 (expires 12.10.22)	2	0.00	
CHF(4,738,935) Sold for £4,259,738 (expires 12.10.22)	(114)	(0.01)	
US\$51,914,799 Bought for £45,416,856 (expires 19.10.22)	1,483	0.11	
US\$34,896,735 Bought for £32,673,899 (expires 07.12.22)	(1,164)	(0.09)	
US\$(238,477,693) Sold for £209,611,137 (expires 07.12.22)	(5,723)	(0.42)	
US\$(266,455,532) Sold for £225,292,183 (expires 16.11.22)	(15,332)	(1.13)	
US\$(295,387,819) Sold for £244,640,706 (expires 19.10.22)	(22,211)	(1.63)	
<b>Total portfolio</b>	<b>1,220,252</b>	<b>89.51</b>	<b>97.43</b>
<b>Net other assets/(liabilities)</b>	<b>142,953</b>	<b>10.49</b>	<b>2.57</b>
<b>Net assets attributable to shareholders</b>	<b>1,363,205</b>	<b>100.00</b>	<b>100.00</b>

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

<sup>a</sup> Suspended.

<sup>b</sup> Unlisted/unquoted.

<sup>c</sup> Defaulted bond.

# Portfolio statement

## Top ten portfolio transactions for the year to 30 September 2022

Largest purchases	£'000
UK Treasury 0.375% 22/10/2026	54,792
US Treasury 2.25% 15/05/2041	39,982
US Treasury 2.875% 15/08/2028	39,806
US Treasury 1.5% 15/02/2025	39,565
US Treasury 2.25% 15/02/2027	38,553
US Treasury 2.25% 15/11/2027	38,454
US Treasury 2.25% 15/11/2025	37,810
US Treasury 1.5% 30/11/2028	36,254
US Treasury 1% 31/07/2028	35,994
US Treasury 1.875% 15/02/2041	35,765
Other purchases	758,197
<b>Total purchases</b>	<b>1,155,172</b>

Largest sales	£'000
UK Treasury 0.375% 22/10/2026	55,055
US Treasury 2.25% 15/02/2027	40,323
Germany (Federal Republic of) 0.01% 15/02/2030	38,870
US Treasury 1.5% 30/11/2028	37,716
UK Treasury 4.25% 07/06/2032	35,946
Germany (Federal Republic of) 0.5% 15/02/2025	34,804
US Treasury 1.875% 15/02/2041	32,487
Germany (Federal Republic of) IL 0.1% 15/04/2023	32,341
Germany (Federal Republic of) 1.5% 15/05/2023	30,375
UK Treasury 4.5% 07/09/2034	27,869
Other sales	1,154,900
<b>Total sales</b>	<b>1,520,686</b>

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](http://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 % <sup>a</sup>	Three years % pa	Five years % pa	Ten years % pa
<b>Sterling</b>				
Class 'A' Income	-16.5	-3.3	-1.5	+1.7
Class 'A' Accumulation	-16.5	-3.3	-1.5	+1.7
Class 'I' Income	-16.2	-2.9	1.0	+2.2
Class 'I' Accumulation	-16.2	-2.9	1.0	+2.2
Class 'J' Income	-16.2	-2.8	n/a	n/a
Class 'J' Accumulation	-16.2	-2.8	n/a	n/a
Class 'PP' Income	-16.1	-2.8	n/a	n/a
Class 'PP' Accumulation	-16.1	-2.8	n/a	n/a
Class 'R' Income	-16.4	-3.1	-1.3	+1.9
Class 'R' Accumulation	-16.4	-3.1	-1.3	+1.9
Class 'X' Income	-12.0	-1.6	-0.4	+2.2
Class 'X' Accumulation	-12.0	-1.6	-0.4	+2.2
<b>Benchmark</b>	<b>-15.4</b>	<b>-2.9</b>	<b>-0.4</b>	<b>+2.0</b>

<sup>a</sup> 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 8 December 2006.

for the year to 30 September	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	150.05	141.57	144.99
Return before operating charges	(23.16)	13.11	2.04
Operating charges	(1.43)	(1.71)	(1.92)
Return after operating charges	(24.59)	11.40	0.12
Distributions	(4.77)	(2.92)	(3.54)
Closing NAV	120.69	150.05	141.57
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments	0.00	0.00	(0.01)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	1.03	1.15	1.34
Return after charges	-16.39	+8.05	+0.08
Other information			
Closing NAV (£'000)	77,003	90,238	113,201
Number of shares	63,804,491	60,139,435	79,963,919
Highest share price (UK p)	150.56	152.13	149.57
Lowest share price (UK p)	122.50	142.31	126.50

## Sterling Class 'A' Accumulation share performance

The share class was launched on 8 December 2006.

for the year to 30 September	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	233.02	215.64	215.28
Return before operating charges	(36.27)	20.00	3.23
Operating charges	(2.25)	(2.62)	(2.87)
Return after operating charges	(38.52)	17.38	0.36
Distributions	(5.21)	(1.87)	(2.41)
Retained distributions	5.21	1.87	2.41
Closing NAV	194.50	233.02	215.64
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments	0.00	(0.01)	(0.01)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	1.03	1.15	1.34
Return after charges	-16.53	+8.06	+0.17
Other information			
Closing NAV (£'000)	232,775	306,085	345,994
Number of shares	119,679,910	131,354,443	160,449,628
Highest share price (UK p)	233.82	233.82	222.09
Lowest share price (UK p)	192.72	216.76	187.84

# Financial highlights

## Sterling Class 'I' Income share performance

The share class was launched on 8 December 2006.

for the year to 30 September	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	153.88	144.55	147.30
Return before operating charges	(23.81)	13.40	2.08
Operating charges	(0.90)	(1.08)	(1.23)
Return after operating charges	(24.71)	12.32	0.85
Distributions	(4.90)	(2.99)	(3.60)
Closing NAV	124.27	153.88	144.55
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments	0.00	0.00	(0.01)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	0.62	0.71	0.84
Return after charges	-16.06	+8.52	+0.58
Other information			
Closing NAV (£'000)	316,217	460,078	581,440
Number of shares	254,458,005	298,981,262	402,254,418
Highest share price (UK p)	154.42	156.00	152.23
Lowest share price (UK p)	126.13	145.31	128.83

## Sterling Class 'I' Accumulation share performance

The share class was launched on 8 December 2006.

for the year to 30 September	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	247.75	228.27	226.75
Return before operating charges	(38.67)	21.20	3.42
Operating charges	(1.46)	(1.72)	(1.90)
Return after operating charges	(40.13)	19.48	1.52
Distributions	(6.49)	(3.05)	(3.68)
Retained distributions	6.49	3.05	3.68
Closing NAV	207.62	247.75	228.27
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.02
Dilution adjustments	0.00	(0.01)	(0.02)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	0.62	0.71	0.84
Return after charges	-16.20	+8.53	+0.67
Other information			
Closing NAV (£'000)	579,524	801,025	972,038
Number of shares	279,129,343	323,322,502	425,832,569
Highest share price (UK p)	248.62	248.58	234.35
Lowest share price (UK p)	205.72	229.46	198.32

# Financial highlights

## Sterling Class 'J' Income share performance

The share class was launched on 18 January 2019.

for the year to 30 September	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	106.21	99.71	101.46
Return before operating charges	(16.44)	9.25	1.42
Operating charges	(0.62)	(0.69)	(0.69)
Return after operating charges	(17.06)	8.56	0.73
Distributions	(3.38)	(2.06)	(2.48)
Closing NAV	85.77	106.21	99.71
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments	0.00	0.00	(0.01)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	0.62	0.66	0.69
Return after charges	-16.06	+8.58	+0.72
Other information			
Closing NAV (£'000)	11,114	19,477	146,865
Number of shares	12,956,895	18,338,400	147,292,049
Highest share price (UK p)	106.58	107.67	104.91
Lowest share price (UK p)	87.06	100.24	88.80

## Sterling Class 'J' Accumulation share performance

The share class was launched on 18 January 2019.

for the year to 30 September	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	114.82	105.73	104.87
Return before operating charges	(17.92)	9.82	1.58
Operating charges	(0.68)	(0.73)	(0.72)
Return after operating charges	(18.60)	9.09	0.86
Distributions	(3.01)	(1.47)	(1.87)
Retained distributions	3.01	1.47	1.87
Closing NAV	96.22	114.82	105.73
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments	0.00	0.00	(0.01)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	0.62	0.65	0.69
Return after charges	-16.20	+8.60	+0.82
Other information			
Closing NAV (£'000)	710	1,187	5,464
Number of shares	738,168	1,033,968	5,168,233
Highest share price (UK p)	115.22	115.20	108.44
Lowest share price (UK p)	95.34	106.28	91.79



# Financial highlights

## Sterling Class 'PP' Income share performance

The share class was launched on 5 August 2019.

for the year to 30 September	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	103.45	97.06	98.76
Return before operating charges	(16.01)	9.00	1.37
Operating charges	(0.51)	(0.60)	(0.66)
Return after operating charges	(16.52)	8.40	0.71
Distributions	(3.30)	(2.01)	(2.41)
Closing NAV	83.63	103.45	97.06
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments	0.00	0.00	(0.01)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	0.53	0.59	0.68
Return after charges	-15.97	+8.65	+0.72
Other information			
Closing NAV (£'000)	82,983	97,840	82,795
Number of shares	99,226,096	94,574,689	85,301,903
Highest share price (UK p)	103.82	104.87	102.13
Lowest share price (UK p)	84.88	97.57	86.44

## Sterling Class 'PP' Accumulation share performance

The share class was launched on 8 April 2019.

for the year to 30 September	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	111.56	102.67	101.83
Return before operating charges	(17.42)	9.53	1.54
Operating charges	(0.55)	(0.64)	(0.70)
Return after operating charges	(17.97)	8.89	0.84
Distributions	(3.03)	(1.50)	(1.80)
Retained distributions	3.03	1.50	1.80
Closing NAV	93.59	111.56	102.67
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments	0.00	0.00	(0.01)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	0.52	0.59	0.69
Return after charges	-16.11	+8.66	+0.82
Other information			
Closing NAV (£'000)	53,067	72,856	79,259
Number of shares	56,703,449	65,305,097	77,198,353
Highest share price (UK p)	111.96	111.93	105.31
Lowest share price (UK p)	92.73	103.20	89.13

# Financial highlights

## Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 September	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	118.06	111.17	113.58
Return before operating charges	(18.24)	10.31	1.60
Operating charges	(0.97)	(1.12)	(1.23)
Return after operating charges	(19.21)	9.19	0.37
Distributions	(3.75)	(2.30)	(2.78)
Closing NAV	95.10	118.06	111.17
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments	0.00	0.00	(0.01)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	0.87	0.95	1.09
Return after charges	-16.27	+8.27	+0.33
Other information			
Closing NAV (£'000)	3,060	4,225	3,909
Number of shares	3,217,658	3,578,412	3,515,672
Highest share price (UK p)	118.47	119.69	117.27
Lowest share price (UK p)	96.53	111.76	99.21

## Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 September	2022	2021	2020
Change in NAV per share	UK p	UK p	UK p
Opening NAV	148.36	137.04	136.47
Return before operating charges	(23.12)	12.71	2.05
Operating charges	(1.22)	(1.39)	(1.48)
Return after operating charges	(24.34)	11.32	0.57
Distributions	(3.53)	(1.47)	(1.87)
Retained distributions	3.53	1.47	1.87
Closing NAV	124.02	148.36	137.04
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments	0.00	0.00	(0.01)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	0.87	0.95	1.09
Return after charges	-16.41	+8.26	+0.42
Other information			
Closing NAV (£'000)	6,752	9,082	9,855
Number of shares	5,444,257	6,121,703	7,191,286
Highest share price (UK p)	148.87	148.86	140.91
Lowest share price (UK p)	122.88	137.75	119.21

# Financial highlights

## Sterling Class 'X' Income share performance

The share class was launched on 8 December 2006. The class was merged into Sterling Class 'A' Income on 24 June 2022.

for the year to 30 September Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	149.80	141.33	144.75
Return before operating charges	(16.85)	13.09	2.03
Operating charges	(1.07)	(1.70)	(1.92)
Return after operating charges	(17.92)	11.39	0.11
Distributions	(1.82)	(2.92)	(3.53)
NAV of in specie transfer	(130.06)	n/a	n/a
Closing NAV	0.00	149.80	141.33
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments	0.00	0.00	(0.01)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	1.02	1.14	1.34
Return after charges	-11.96	+8.06	+0.08
Other information			
Closing NAV (£'000)	0	37,636	38,900
Number of shares	0	25,124,960	27,524,723
Highest share price (UK p)	150.31	151.87	149.32
Lowest share price (UK p)	128.63	142.07	126.29

## Sterling Class 'X' Accumulation share performance

The share class was launched on 8 December 2006. The class was merged into Sterling Class 'A' Accumulation on 24 June 2022.

for the year to 30 September Change in NAV per share	2022 UK p	2021 UK p	2020 UK p
Opening NAV	228.24	211.21	210.86
Return before operating charges	(25.85)	19.59	3.16
Operating charges	(1.64)	(2.56)	(2.81)
Return after operating charges	(27.49)	17.03	0.35
Distributions	(1.66)	(1.84)	(2.36)
Retained distributions	1.66	1.84	2.36
NAV of in specie transfer	(200.75)	n/a	n/a
Closing NAV	0.00	228.24	211.21
Direct transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments	0.00	(0.01)	(0.01)
Total direct transaction costs	0.01	0.01	0.00
Performance and charges	%	%	%
Direct portfolio transaction costs	0.00	0.01	0.00
Operating charges	1.02	1.14	1.34
Return after charges	-12.04	+8.06	+0.17
Other information			
Closing NAV (£'000)	0	35,246	37,192
Number of shares	0	15,442,356	17,608,733
Highest share price (UK p)	229.02	229.02	217.53
Lowest share price (UK p)	198.54	212.31	183.98

# Financial statements and notes

## Financial statements

### Statement of total return

for the year to 30 September		2022		2021	
		Note	£'000	£'000	£'000
<b>Income</b>					
Net capital gains/(losses)	5		(333,048)		157,992
Revenue	7	57,640		42,407	
Expenses	8	(12,167)		(17,206)	
Interest payable and similar charges		(48)		(113)	
Net revenue/(expense) before taxation		45,425		25,088	
Taxation	9	(202)		(365)	
Net revenue/(expense) after taxation			45,223		24,723
<b>Total return before distributions</b>			<b>(287,825)</b>		<b>182,715</b>
Distributions	10		(49,437)		(30,934)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(337,262)</b>		<b>151,781</b>

### Statement of change in net assets attributable to shareholders

for the year to 30 September		2022		2021	
		£'000	£'000	£'000	£'000
<b>Opening net assets attributable to shareholders</b>			<b>1,934,975</b>		<b>2,416,912</b>
Amounts received on issue of shares		79,198		79,219	
Amounts paid on cancellation of shares		(341,873)		(728,987)	
			(262,675)		(649,768)
Dilution adjustments			855		1,846
Change in net assets attributable to shareholders from investment activities (see above)			(337,262)		151,781
Retained distributions on Accumulation shares			27,311		14,203
Unclaimed distributions			1		1
<b>Closing net assets attributable to shareholders</b>			<b>1,363,205</b>		<b>1,934,975</b>

Interest payable and similar charges of £48,000 (2021: £113,000) has been reclassified from 'Expenses' within the statement of total return.

# Financial statements and notes

## Financial statements

### Balance sheet

as at 30 September	Note	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments		1,331,553	1,901,334
<b>Current assets</b>			
Debtors	11	37,242	21,594
Cash and bank balances	12	109,733	35,998
Cash equivalents		37,288	24,811
<b>Total assets</b>		<b>1,515,816</b>	<b>1,983,737</b>
<b>Liabilities</b>			
Investment liabilities		(111,301)	(16,078)
<b>Creditors</b>			
Overdrawn positions at futures clearing houses and collateral manager		(14,229)	(6,798)
Distribution payable		(11,947)	(7,375)
Other creditors	13	(15,134)	(18,511)
<b>Total liabilities</b>		<b>(152,611)</b>	<b>(48,762)</b>
<b>Net assets attributable to shareholders</b>		<b>1,363,205</b>	<b>1,934,975</b>

# Financial statements and notes

## Notes to the financial statements

### 1 Statement of compliance

The financial statements 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 15.

### 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 at least the next twelve months from the date these 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 the 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 Optimal Income Fund 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

The functional and presentational currency of M&G Optimal Income Fund is UK sterling.

#### c. Exchange rates

Transactions in currencies other than the fund's functional currency are translated at the rate of exchange ruling on the date of the transaction and where applicable assets and liabilities are translated into the fund's functional currency at the rate of exchange ruling as at 12 noon on 30 September 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 and accrued interest).

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 30 September 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.

# Financial statements and notes

- 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.
- Interest on debt securities is recognised on an effective interest rate basis. 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.

# Financial statements and notes

- 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.
- Debt security interest comprises the coupon interest and the difference between the purchase price and the expected maturity price spread over its expected remaining life. This is treated as revenue with the difference adjusting the cost of the shares and treated as capital.
- Other interest income, such as bank interest is treated as revenue.
- 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.



# Financial statements and notes

## 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 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 the 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.

# Financial statements and notes

The following risk management policies are applicable to the fund, with specific risk disclosures set out in notes 19 to 22 in this report.

## 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.

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

## b. Value at Risk approach

The Value at Risk (VaR) approach is a methodology for estimating the maximum potential loss due to market risk based on historic market volatilities and correlations. More particularly, the VaR approach gives a broad indication of the maximum potential loss at a given confidence level (probability), over a specific time period under normal market conditions.

Instrument and portfolio modelling techniques are based on market accepted practices and are subject to regular audit (back-testing). Market risk factors that are analysed include swap rates, government yield curves, equity prices, exchange rates, market volatility, credit spreads and credit default swap (CDS) spreads.

The VaR model is based on a Monte Carlo process with actual VaR being reported on the basis of a 99% confidence interval over a one month period (20 business days). Risk factor history used in the Monte Carlo process is based on 250 business days. From the variance/covariance matrices, a parametric Monte Carlo scenario set of 5,000 simulations is derived and applied to the fund.

VaR does have limitations in its ability to present valid levels of risk in extreme market conditions. Accordingly, the Risk Analysis team also carries out monthly stress testing and scenario based analysis. Stress testing allows for extreme sets of market circumstances which may not be reflected in historical data sets thereby enabling further assessment of combinations of market movements which may cause serious damage to portfolio values. The key element to the scenario based analysis is challenging the correlation assumptions implicit within statistical based models such as VaR.

The stress test and scenario based analysis is customised for each fund type and the VaR analysis is produced on a daily basis.

## 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.

# Financial statements and notes

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 sophisticated funds.

#### 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 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.

## 4 Distribution policy

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.

## 5 Net capital gains/(losses)

for the year to 30 September	2022 £'000	2021 £'000
Non-derivative securities	(231,453)	(34,745)
Derivative contracts	(101,692)	190,328
Currency gains/(losses)	97	2,409
<b>Net capital gains/(losses)</b>	<b>(333,048)</b>	<b>157,992</b>

# Financial statements and notes

## 6 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' within 'Notes to the financial statements' on pages 46 and 47. Total direct portfolio transaction costs are stated before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

for the year to 30 September	2022 £'000	% of transaction	2021 £'000	% of transaction
<b>a) Purchases</b>				
<b>Equities</b>				
Equities before transaction costs	5,115		56,884	
Commissions	2	0.04	19	0.03
Taxes	2	0.04	88	0.15
<b>Equities after transaction costs</b>	<b>5,119</b>		<b>56,991</b>	
<b>Debt securities</b>	<b>1,150,053</b>		<b>1,144,347</b>	
<b>Other transaction types</b>				
Corporate actions	0		117	
<b>Total purchases after transaction costs</b>	<b>1,155,172</b>		<b>1,201,455</b>	
<b>b) Sales</b>				
<b>Equities</b>				
Equities before transaction costs	89,972		57,613	
Commissions	(43)	0.05	(22)	0.04
<b>Equities after transaction costs</b>	<b>89,929</b>		<b>57,591</b>	
<b>Debt securities</b>	<b>1,410,449</b>		<b>1,502,592</b>	
<b>Other transaction types</b>				
Corporate actions	20,308		19,250	
<b>Total sales after transaction costs</b>	<b>1,520,686</b>		<b>1,579,433</b>	
	2022 £'000	% of average NAV	2021 £'000	% of average NAV
<b>c) Direct portfolio transaction costs</b>				
<b>Commissions paid</b>				
Equities	45	0.00	41	0.00
Derivatives	31	0.00	31	0.00
<b>Total commissions paid</b>	<b>76</b>	<b>0.00</b>	<b>72</b>	<b>0.00</b>
<b>Taxes paid</b>				
Equities	2	0.00	88	0.01
Derivatives	32	0.00	34	0.00
<b>Total taxes paid</b>	<b>34</b>	<b>0.00</b>	<b>122</b>	<b>0.01</b>
<b>Total direct portfolio transaction costs</b>	<b>110</b>	<b>0.00</b>	<b>194</b>	<b>0.01</b>

# Financial statements and notes

	%	%
<b>d) Indirect portfolio transaction costs</b>		
Average portfolio dealing spread as at the balance sheet date	0.87	0.43

## 7 Revenue

for the year to 30 September	2022 £'000	2021 £'000
Bank interest	24	65
Derivative revenue	9,142	(4,484)
Dividends from equity investments: non-taxable	3,904	4,922
Dividends from equity investments: taxable	434	199
Interest distributions	339	3
Interest on debt securities	43,769	41,687
Rebate of ongoing charges from underlying funds	28	15
<b>Total revenue</b>	<b>57,640</b>	<b>42,407</b>

## 8 Expenses

for the year to 30 September	2022 £'000	2021 £'000
<b>Payable to the ACD or associate</b>		
Annual charge	12,167	17,206
<b>Total expenses</b>	<b>12,167</b>	<b>17,206</b>

Audit fees for the financial year ending 2022 were £12,000 (2021: £11,000) (including VAT), which are covered by the annual charge. Interest payable and similar charges of £48,000 (2021: £113,000) has been reclassified from 'Expenses' within the statement of total return.

# Financial statements and notes

## 9 Taxation

for the year to 30 September	2022 £'000	2021 £'000
<b>a) Analysis of charge in the year</b>		
Corporation tax	0	0
Withholding tax	202	365
Deferred tax (note 9c)	0	0
<b>Total taxation</b>	<b>202</b>	<b>365</b>
<b>b) Factors affecting taxation charge for the year</b>		
Net revenue/(expense) before taxation	45,425	25,088
Corporation tax at 20%	9,085	5,017
<b>Effects of:</b>		
Dividends from equity investments: non-taxable	(781)	(984)
Interest distributions	(8,304)	(4,033)
Withholding tax	202	365
<b>Total tax charge (note 9a)</b>	<b>202</b>	<b>365</b>
<b>c) Provision for deferred taxation</b>		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 9a)	0	0
<b>Provision at the end of the year</b>	<b>0</b>	<b>0</b>

The fund has not recognised a deferred tax asset in the current financial year (2021: same).

# Financial statements and notes

## 10 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 30 September	2022		2021	
	Inc £'000	Acc £'000	Inc £'000	Acc £'000
<b>Interest distributions</b>				
Interim	8,012	10,109	7,054	6,120
Final	11,947	17,202	7,375	8,083
Total net distributions		47,270		28,632
Income deducted on cancellation of shares		3,272		2,742
Income received on issue of shares		(1,105)		(440)
<b>Distributions</b>		<b>49,437</b>		<b>30,934</b>
Net revenue/(expense) per statement of total return		45,223		24,723
Expenses offset against capital		4,213		6,211
Undistributed income brought forward		1		1
Undistributed income carried forward		0		(1)
<b>Distributions</b>		<b>49,437</b>		<b>30,934</b>

## 11 Debtors

as at 30 September	2022 £'000	2021 £'000
Amounts receivable on issues of shares	29	117
Debt security interest receivable	16,442	14,169
Derivative revenue receivable	1,911	55
Dividends receivable	0	345
Sales awaiting settlement	16,975	5,158
Withholding tax recoverable	1,885	1,750
<b>Total debtors</b>	<b>37,242</b>	<b>21,594</b>

## 12 Cash and bank balances

as at 30 September	2022 £'000	2021 £'000
Amounts held at futures clearing houses and collateral manager	74,381	23,166
Cash held as bank balances	35,352	12,832
<b>Total cash and bank balances</b>	<b>109,733</b>	<b>35,998</b>

# Financial statements and notes

## 13 Other creditors

as at 30 September	2022 £'000	2021 £'000
Amounts payable on cancellation of shares	3,133	3,873
Annual charge payable	274	901
Derivative expense payable	75	158
Expenses payable	0	11
Purchases awaiting settlement	10,607	11,895
Payable to M&G (Lux) Optimal Income Fund	1,045	1,673
<b>Total other creditors</b>	<b>15,134</b>	<b>18,511</b>

## 14 Contingent assets, liabilities and outstanding commitments

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

## 15 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 16.

Share class	Opening 01.10.21	Issued	Movements Cancelled	Converted	Closing 30.09.22
<b>Sterling</b>					
Class 'A' Income	60,139,435	274,864	(19,323,676)	22,713,868	63,804,491
Class 'A' Accumulation	131,354,443	2,634,258	(28,293,979)	13,985,188	119,679,910
Class 'I' Income	298,981,262	5,647,984	(50,171,241)	0	254,458,005
Class 'I' Accumulation	323,322,502	14,965,134	(59,158,293)	0	279,129,343
Class 'J' Income	18,338,400	74,734	(5,456,239)	0	12,956,895
Class 'J' Accumulation	1,033,968	21,396	(317,196)	0	738,168
Class 'PP' Income	94,574,689	23,280,857	(18,629,450)	0	99,226,096
Class 'PP' Accumulation	65,305,097	4,905,002	(13,506,650)	0	56,703,449
Class 'R' Income	3,578,412	227,080	(587,834)	0	3,217,658
Class 'R' Accumulation	6,121,703	121,253	(798,699)	0	5,444,257
Class 'X' Income	25,124,960	98,336	(2,466,366)	(22,756,930)	0
Class 'X' Accumulation	15,442,356	45,545	(1,209,425)	(14,278,476)	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.



# Financial statements and notes

## 16 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 %
<b>Sterling</b>	
Class 'A'	1.05
Class 'I'	0.65
Class 'J'	0.65
Class 'PP'	0.55
Class 'R'	0.90
Class 'X'	1.05

## 17 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 10. Amounts due to/from M&G Securities Limited in respect of share transactions for the year end are disclosed in notes 11 and 13 where applicable.

Amounts paid to M&G Securities Limited in respect of the annual charge are disclosed in note 8. Amounts due at the year end in respect of the annual charge are disclosed in note 13.

Amounts paid to M&G Securities Limited in respect of rebate arrangements for the annual charge are disclosed in note 7. Amounts due at the year end from the ACD, and/or associate, in respect of these rebates 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 1.35% (2021: 1.10%) of the fund's shares.

## 18 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.

# Financial statements and notes

## 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 30 September	Assets 2022 £'000	Liabilities 2022 £'000	Assets 2021 £'000	Liabilities 2021 £'000
Level 1	314,868	(712)	521,499	0
Level 2	1,016,458	(110,589)	1,379,630	(16,078)
Level 3	227	0	205	0
	<b>1,331,553</b>	<b>(111,301)</b>	<b>1,901,334</b>	<b>(16,078)</b>

## 19 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 47 to 49.

## 20 Market risk sensitivity and exposure

VaR is the risk measurement methodology used to assess the fund's leverage and market risk volatility. When VaR is calculated as a percentage of the net asset value it may not be greater than the VaR limit set for the fund.

The VaR limit set during the financial year to 30 September 2022 was 15% (2021: 20%).

The lowest, highest and average VaR, as well as utilisation of VaR with reference to the limit above, are calculated during the financial years ended 30 September 2022 and 30 September 2021.

for the year to 30 September	2022 % of VaR	2022 Utilisation of VaR 15%	2021 % of VaR	2021 Utilisation of VaR 20%
Lowest	2.49	16.60	2.39	11.95
Highest	4.52	30.13	5.06	25.30
Average	3.06	20.43	3.50	17.52

## 21 Credit risk

The fund is exposed to credit risk both through the credit quality of the investments it holds and through the derivative positions with counterparties. The table below shows the credit quality of the investments held in the portfolio.

as at 30 September	2022 £'000	2021 £'000
Investment grade securities	1,013,842	1,462,350
Below investment grade securities	254,669	307,726
Other investments	(48,259)	115,180
<b>Total</b>	<b>1,220,252</b>	<b>1,885,256</b>

# Financial statements and notes

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 30 September 2022	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	(168)	134	9,707
Barclays Bank	(6,461)	0	0
BNP Paribas	0	(849)	0
Citigroup	0	26	0
Goldman Sachs	0	134	0
HSBC	0	(22,328)	0
JPMorgan	(44)	(1,914)	0
Morgan Stanley	0	125	0
National Australia Bank	0	(5,858)	0
Standard Chartered Bank	0	1,007	0
State Street Bank	0	(15,576)	0
UBS	0	(9,946)	0
<b>Total</b>	<b>(6,673)</b>	<b>(55,045)</b>	<b>9,707</b>

as at 30 September 2021	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	(70)	1	7,513
Barclays Bank	19,335	64	0
Citigroup	0	(2,083)	0
Goldman Sachs	0	(15)	0
HSBC	0	(5,470)	0
JPMorgan	0	(4,289)	0
Morgan Stanley	0	(145)	0
Standard Chartered Bank	0	(85)	0
State Street Bank	0	(1,846)	0
UBS	(118)	(149)	0
<b>Total</b>	<b>19,147</b>	<b>(14,017)</b>	<b>7,513</b>

# Financial statements and notes

## 22 Leverage risk

Funds using VaR approaches are required to disclose the level of leverage employed during the financial reporting period.

Derivatives can be used by the fund to generate market exposure to investments exceeding the net asset value. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the fund.

The lowest, highest and average level of leverage employed and utilisation of the leverage level calculated during the financial years ended 30 September 2022 and 30 September 2021 are disclosed in the table below. Leverage has been calculated using the Gross Sum of Notional Approach for derivative positions only (including forward currency contracts) and excludes all physical holdings. Percentages are expressed with reference to fund valuation.

for the year to 30 September	2022 £'000	2022 %	2021 £'000	2021 %
Lowest	2,126,599	110.14	2,147,104	108.59
Highest	4,040,032	236.55	4,578,187	191.00
Average	2,604,466	154.50	2,714,280	126.06

## 23 Interest distribution tables

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

### Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.10.21	31.03.22	01.04.22	31.05.22
Final	01.04.22	30.09.22	03.10.22	30.11.22

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

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2022 UK p	Equalisation 2022 UK p	2022 UK p	2021 UK p
Interim	1.0711	0.7534	1.8245	1.3618
Final	1.5096	1.4340	2.9436	1.5612

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## Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 September	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Interim	1.2399	0.4599	1.6998	0.6857
Final	1.6695	1.8456	3.5151	1.1879

## Sterling Class 'I' Income shares

Interest distributions for the year to 30 September	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Interim	1.8743	0.0000	1.8743	1.3920
Final	1.6343	1.3924	3.0267	1.5993

## Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 September	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Interim	2.2846	0.0000	2.2846	1.2812
Final	2.4655	1.7431	4.2086	1.7701

## Sterling Class 'J' Income shares

Interest distributions for the year to 30 September	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Interim	1.1473	0.1456	1.2929	0.9607
Final	1.4148	0.6751	2.0899	1.1039

## Sterling Class 'J' Accumulation shares

Interest distributions for the year to 30 September	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Interim	1.0582	0.0000	1.0582	0.6522
Final	1.9511	0.0000	1.9511	0.8221

# Financial statements and notes

## Sterling Class 'PP' Income shares

Interest distributions for the year to 30 September	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Interim	0.6260	0.6336	1.2596	0.9349
Final	0.9387	1.0984	2.0371	1.0749

## Sterling Class 'PP' Accumulation shares

Interest distributions for the year to 30 September	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Interim	0.3755	0.7063	1.0818	0.6479
Final	1.1911	0.7582	1.9493	0.8543

## Sterling Class 'R' Income shares

Interest distributions for the year to 30 September	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Interim	0.8876	0.5485	1.4361	1.0702
Final	1.7791	0.5395	2.3186	1.2278

## Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 September	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Interim	0.7373	0.4517	1.1890	0.5947
Final	1.6467	0.6973	2.3440	0.8711

## Sterling Class 'X' Income shares

Interest distributions for the year to 30 September	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
		UK p	UK p	UK p
Interim	1.2164	0.6050	1.8214	1.3596
Final	n/a	n/a	n/a	1.5585

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## Sterling Class 'X' Accumulation shares

Interest distributions for the year to 30 September	Income	Group 2	Group 1 & 2	
	2022	Equalisation	Distribution	
	UK p	2022	2022	2021
	UK p	UK p	UK p	UK p
Interim	0.8955	0.7694	1.6649	0.6719
Final	n/a	n/a	n/a	1.1635

## 24 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: <https://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 this fund the TERs are the same as the operating charges disclosed in the fund's financial highlights section under 'Performance and charges'.



## 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, i.e. higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

**Historic yield** The historic yield reflects distributions declared over the past 12 months as a percentage of the share price, as at the date shown.

**Income yield** Refers to the income received from an investment and is usually expressed annually as a percentage based on the investment's cost, its current market value or face value.

**Index** An index represents a particular market or a portion of it, serving as a performance indicator for that market.

**Income 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 non-payment by the borrower such as a high-quality fixed income security issued by a government or cash.

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

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

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

**Share class** 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, i.e. 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.

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