



M&G Optimal Income Fund

Annual Long Report and audited Financial Statements
for the year ended 30 September 2017



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M&G Optimal Income Fund

Authorised Corporate Director's Report

The Authorised Corporate Director (ACD) of M&G Optimal Income Fund presents its Annual Long Report and audited Financial Statements for the year ended 30 September 2017.

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

ACD

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

(Authorised and regulated by the Financial Conduct Authority. M&G Securities Limited is a member of the Investment Association and of the Tax Incentivised Savings Association.)

Directors of the ACD

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

* Appointed 9 June 2017.

Investment manager

M&G Investment Management Limited,
Laurence Pountney Hill, London EC4R 0HH, UK
Telephone: +44 (0)20 7626 4588

(Authorised and regulated by the Financial Conduct Authority)

Registrar

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

* International Financial Data Services (UK) Ltd changed its name to DST Financial Services Europe Ltd on 14 August 2017.

Depository

National Westminster Bank Plc, Trustee & Depository Services,
Younger Building, 3 Redheughs Avenue, Edinburgh EH12 9RH, UK
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority)

Independent auditor

Ernst & Young LLP
Ten George Street, Edinburgh EH2 2DZ, UK

Important information

Please note that with effect from 16 December 2016:

- we have discounted the initial charge to zero on all new investments into sterling share classes that currently carry such a charge.
- we have waived the exit charges on future withdrawals from all Sterling Class 'X' shares.
- we have discounted the annual management charge (AMC) for the Sterling Class 'X' shares from 1.50% to 1.25%.

Investor information

The Prospectus, Instrument of Incorporation, Key Investor Information Documents, 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.

M&G Optimal Income Fund

Authorised Corporate Director's Report

Investor information

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

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

Austrian paying and information agent:

Société Générale, Vienna Branch,
Prinz Eugen-Strasse 8-10/5/Top 11, 1040 Wien, Austria

Belgian financial agent:

Société Générale Private Banking NV,
Kortrijksesteenweg 302, 9000 Gent, Belgium

Danish representative agent:

Nordea Bank Danmark A/S,
Client Relations DK, Investor Services & Solutions,
Postbox 850, Reg.no.6428. HH. 6.1., 0900 København C, Denmark

French centralising agent:

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

German paying and information agent:

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

Greek paying agent and distributor:

Eurobank Ergasias S.A.,
8, Othonos Street, 10557 Athens, Greece

Irish facilities agent:

Société Générale S.A., Dublin Branch,
3rd Floor IFSC House – The IFSC, Dublin 1, Ireland

Italian paying agents:

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

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

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

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

RBC Investor Services Bank S.A., Milan Branch
Via Vittor Pisani 26, 20124 Milano, Italy

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

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

Luxembourg paying and information agent:

Société Générale Bank & Trust S.A.,
Centre operationel, 28-32, place de la Gare, 1616 Luxembourg,
Grand Duchy of Luxembourg

Portuguese distributor:

Best - Banco Electrónico de Serviço Total, S.A.,
Praça Marquês de Pombal, no. 3 - 3º, 1250-161 Lisboa, Portugal

Spanish representative:

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

Swedish paying agent:

Nordea Bank AB (publ),
Smålandsgatan 17, 105 71 Stockholm, Sweden

Swiss paying agent and representative:

Société Générale, Paris, Zurich Branch,
Talacker 50, P.O. Box 5070, 8021 Zurich, Switzerland

Authorised Corporate Director's Responsibilities

The Authorised Corporate Director (ACD) is required to prepare annual and interim long reports for the Company. The ACD must ensure that the financial statements, contained in the Long 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.

M&G Optimal Income Fund

Authorised Corporate Director's Report

Investment objective

The fund aims to provide a total return (the combination of income and growth of capital) to investors based on exposure to optimal income streams in investment markets.

Investment policy

The fund aims to provide a total return (the combination of income and growth of capital) to investors through strategic asset allocation and specific stock selection. The fund will be at least 50% invested in debt instruments, but may also invest in other assets including collective investment schemes, money market instruments, cash, near cash, deposits, equities and derivatives. Derivative instruments may be used for both investment purposes and efficient portfolio management.

Investment approach

The M&G Optimal Income Fund is a flexible bond fund, allowing investment across a broad range of fixed income assets according to where the fund manager identifies value. The investment approach begins with a top-down assessment of the macroeconomic environment, including the likely path of growth, inflation and interest rates. The results of this analysis help inform the fund's duration positioning and its allocation to the various bond asset classes. Individual credit selection is carried out in conjunction with M&G's in-house team of credit specialists, which provides bottom-up analysis of the corporate bond markets to complement the fund manager's views.

There are no restrictions on the amount of government bonds, investment grade bonds or high yield bonds that can be held within the portfolio. The fund may also invest in other assets, including cash, equities and derivatives. Derivative instruments may be used for both investment purposes and efficient portfolio management.

Risk profile

The fund is a flexible bond fund which invests in a range of fixed income securities. In addition, up to 20% of the portfolio may be invested in company shares when the fund manager believes they offer better value than bonds. The fund is therefore subject to the price volatility of global bond and stockmarkets as well as the performance of individual companies. The fund is also subject to fluctuations in currency exchange rates.

There are no restrictions on the amount of government bonds, investment grade bonds or high yield bonds that can be held within the portfolio. While government and investment grade bonds are generally highly liquid assets that are normally traded with relative ease, high yield corporate bonds are higher risk assets that could potentially experience a degree of illiquidity in times of market distress. The fund's exposure to company shares is typically through large companies, where the shares are normally traded with relative ease.

The fund's exposure to fixed income securities may be gained through the use of derivatives. In association with the use of derivatives, including those instruments not traded through an exchange, collateral is deposited in order to mitigate the risk that a counterparty may default on its obligations or become insolvent.

Portfolio diversification is key in managing liquidity and default risks as well as reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

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

As at 2 October 2017, for the year ended 30 September 2017

Performance against objective

Between 3 October 2016 and 2 October 2017, the M&G Optimal Income Fund produced a positive total return (the combination of income and growth of capital) across all its different share classes.*

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

The majority of the M&G Optimal Income Fund's holdings are split between high quality, or investment grade, corporate bonds and high yielding corporate bonds, with a smaller allocation to government bonds, as these typically provide liquidity and stability in uncertain markets.

Bonds are loans that are extended by an investor to an issuing entity – such as a company or government – in exchange for regular interest payments. Bonds issued by companies are referred to as 'corporate bonds', while those issued by governments are called 'government bonds'. Investment grade corporate bonds refer to 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 of non-repayment than those issued by companies with lower credit ratings (known as high yield bonds). The performance of investment grade corporate bond markets can be influenced by the performance of government bonds.

M&G Optimal Income Fund

Authorised Corporate Director's Report

Investment review

Investment performance

One of the most significant drivers of market movements over the course of the period under review, which began several months after the UK's surprise vote in favour of leaving the European Union (EU), was Brexit-related uncertainty – over the timing, and exact form that this might take.

The last few months of 2016 delivered further political surprises, the most significant of which was Donald Trump's US presidential election victory in November. The result caused US government bonds to suffer their worst month in seven years.

Politics continued to dominate financial markets in early 2017, with Dutch parliamentary elections, the UK's formal triggering of Article 50, and the run-up to hotly contested presidential elections in France, among the main events. This took place against a backdrop of broadly positive economic data releases, indicating that the global economy is in good health.

For the first time in a long time, the economic situation in Europe in particular looks considerably brighter. The unemployment rate has fallen back below 10% for the first time since 2011, while business surveys suggest a further steady pick-up in growth over the coming months. Political tensions also receded, with Emmanuel Macron's decisive victory in the second round of the French election in May, helping to boost European markets.

In the UK, snap parliamentary elections held in June that resulted in a hung parliament only served to muddy the waters as Brexit talks formally began, although markets were relatively unmoved by the result.

The summer period was characterised by investor speculation that leading central banks (including the Bank of England, US Federal Reserve and European Central Bank) might be edging closer to the next stage in gradually withdrawing the support that they have been providing financial markets over the 10 years since the global financial crisis. Central banks have so far been careful to communicate to markets that this process will only happen slowly and in a controlled manner. If this is indeed the case, markets may not experience big movements, although any changes that happen more suddenly and in greater scale than investors expect could lead to volatility.

The US Federal Reserve increased interest rates three times during the review period, with markets predicting one further rise before the year end. Meanwhile, a speech by Bank of England governor, Mark Carney, in September, in which he signalled that "some withdrawal of monetary stimulus is likely in coming months" caused investors to believe that a first interest rate increase in some 10 years might take place before the end of 2017, and had the effect of pushing sterling higher.

The M&G Optimal Income Fund generated a positive return across all of its share classes. Its exposure to high yield bonds helped performance, as these assets delivered strong returns over the year, as did its holdings in bonds issued by banks and insurers. A relatively large proportion of the bonds held by the fund were denominated in US dollars, which also helped returns, as these broadly outperformed those denominated in sterling and euros over the last 12 months.

Investment activities

We adjust the positioning of the M&G Optimal Income Fund to reflect changes in our outlook regarding interest rates, credit risk (companies' ability to repay their debts) and changes in relative value among the different fixed income asset classes.

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'. (Bond yields refer to the interest received from a fixed income security, which is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value. Bond yields typically move in the opposite direction to bond prices.) The longer the duration, the more sensitive a bond/bond fund is to movements in interest rates.

We held the fund's duration short (between 2.0 and 2.7 years) during the entire period, as we believe that the more likely direction of interest rates over the medium term is upwards, finishing at 2.3 years at the end of September 2017.

Since the start of 2017, we have gradually reduced the fund's exposure to high yield bonds to less than 14% (its lowest ever level). Having performed very well over a sustained period, we consider that high yield bonds now look less attractive than those from investment grade issuers.

We have been finding particular value in bonds issued by financials and telecommunications firms. Both sectors have seen lots of new bond issuance in recent years, which has helped keep valuations attractive. Within financials, we added bonds from a number of banks and insurance companies, particularly those in Europe. These were particularly attractive in early 2017 when they were negatively affected by uncertainty about political developments in the region. More generally, we have a preference for US dollar-denominated investment grade bonds, as the US market has not been distorted by central bank bond buying activities as those of the UK and Europe have.

We can invest a portion of the fund (up to 20%) in shares if we believe a company's stocks (equity) present a more attractive investment opportunity relative to its bonds. Our equities exposure fell to just below 3% by the end of September after we sold several stocks that had performed particularly well.

Outlook

We believe we are entering a period of normalisation; growth and inflation are back and central banks are adjusting their policies accordingly. We have been positioning the fund for this. The US Federal Reserve has announced that it will begin its long-awaited programme of balance sheet reduction. Meanwhile in Europe, it is becoming increasingly difficult for the European Central Bank to ignore inflation risks that are growing in the largest economies of Europe, particularly Germany.

We believe that US and UK politics will remain key for the remainder of 2017. One of the biggest dangers to markets remains President Trump's unpredictability – something that markets are still getting used to. After a heavy political calendar in Europe in the first half of the year,

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Investment review

Outlook (continued)

the remainder of the year looks set to be calmer, from a political perspective.

We believe that UK monetary policy is working and we are at, or close to, full employment. Due to sterling's weakness since the Brexit vote, inflation is once again back on the agenda in the UK. This weakness is arguably helping to keep the UK competitive, despite Brexit-related uncertainty. While it will be 18 months before any Brexit deal is concluded, until then we consider that the UK's economy is working well at near full capacity, and that the Bank of England should begin to remove easy financial conditions.

In our view, the global economy is in reasonable health, we are in a period of synchronised global growth, and company default rates remain low. We are therefore positive on corporate bonds, especially those issued by US companies. We remain broadly cautious on government bonds, believing that they are generally still expensive, although we have been finding selected opportunities in peripheral Eurozone government bonds in recent months due to the recovering economic picture in Europe.

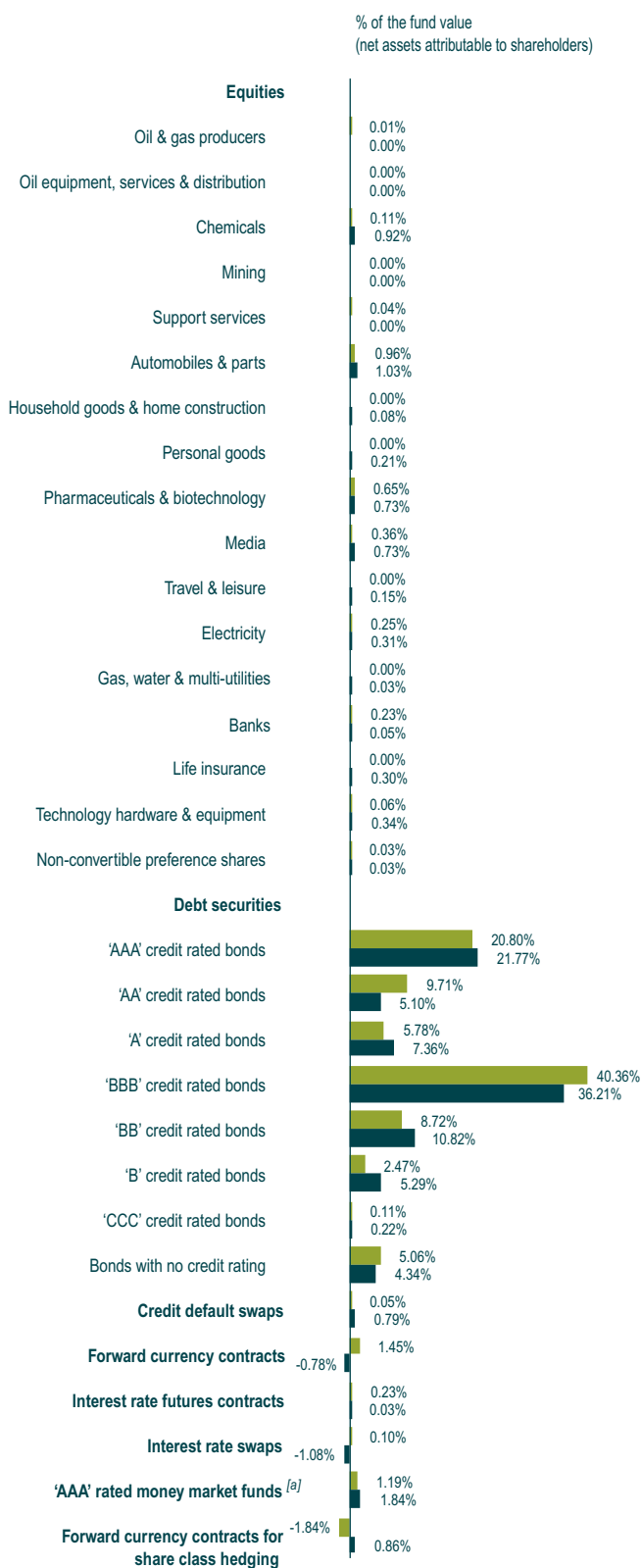
Richard Woolnough

Fund manager

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

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

Classification of investments



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

30 September 2017
30 September 2016

Source: M&G

M&G Optimal Income Fund

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Investments

Portfolio statement

as at 30 September Holding	2017 £'000	2017 %	2016 %
Equities	556,738	2.70	4.91
Oil & gas producers	2,466	0.01	0.00
119,586 Chaparral Energy 'A'	2,046	0.01	
28,922 Chaparral Energy 'B'	420	0.00	
Oil equipment, services & distribution	304	0.00	0.00
19,536 Patterson-UTI Energy	304	0.00	
Chemicals	22,361	0.11	0.92
300,000 LyondellBasell	22,361	0.11	
Mining	0	0.00	0.00
16,891,144 New World Resources [a]	0	0.00	
Support services	8,340	0.04	0.00
1,000,000 Babcock International Group	8,340	0.04	
Automobiles & parts	198,009	0.96	1.03
800,000 Bayerische Motoren Werke	59,908	0.29	
1,100,000 Daimler	64,625	0.31	
6,000,000 Ford Motor	53,616	0.26	
500,000 Magna International	19,860	0.10	
Household goods & home construction	0	0.00	0.08
Personal goods	0	0.00	0.21
Pharmaceuticals & biotechnology	134,497	0.65	0.73
700,000 Novartis (Regd.)	44,830	0.21	
215,000 Roche Holding 'Genussscheine'	40,836	0.20	
300,000 Sanofi	22,238	0.11	
700,000 Shire	26,593	0.13	
Media	74,111	0.36	0.73
618,155 Publicis Groupe	32,093	0.16	
550,000 Time Warner	42,018	0.20	
Travel & leisure	0	0.00	0.15
Electricity	51,101	0.25	0.31
3,652,693 SSE	51,101	0.25	
Gas, water & multi-utilities	0	0.00	0.03
Banks	47,784	0.23	0.05
45,000,000 Lloyds Banking Group	30,370	0.15	
6,500,000 Royal Bank of Scotland Group	17,414	0.08	
Life insurance	0	0.00	0.30
Technology hardware & equipment	12,455	0.06	0.34
500,000 Cisco Systems	12,455	0.06	
Non-convertible preference shares	5,310	0.03	0.03
3,700,000 Standard Chartered 8.25% Non-cum Irrd. Pref.	5,310	0.03	
Debt securities	19,194,506	93.01	91.11
'AAA' credit rated bonds	4,293,484	20.80	21.77
£441,059 Alba FRN 2042	424	0.00	
£1,421,584 Alba FRN 2049 P05-1A3	1,429	0.01	
£5,303,032 Broadgate Financing FRN 2032	5,193	0.03	
£5,851,294 Dukinfield FRN 2052	5,911	0.03	
£5,000,000 European Investment Bank 4.25% 2021	5,653	0.03	
£10,000,000 European Investment Bank 4.5% 2029	12,796	0.06	
£25,000,000 European Investment Bank 6% 2028	35,575	0.17	
£25,000,000 European Investment Bank FRN 2022	25,000	0.12	
£2,339,629 First Flexible No 5 FRN 2034 'A'	2,310	0.01	
€500,000,000 Germany (Federal Republic of) 0.25% 2018	443,624	2.15	
€150,000,000 Germany (Federal Republic of) 0.25% 2019	135,004	0.65	

Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
'AAA' credit rated bonds (continued)			
€400,000,000 Germany (Federal Republic of) 0.5% 2018	354,772	1.72	
€500,000,000 Germany (Federal Republic of) 0.5% 2019	449,807	2.18	
€500,000,000 Germany (Federal Republic of) 1% 2018	449,269	2.18	
€500,000,000 Germany (Federal Republic of) 1% 2019	452,257	2.19	
€300,000,000 Germany (Federal Republic of) 3.5% 2019	284,724	1.38	
€300,000,000 Germany (Federal Republic of) 3.75% 2019	279,968	1.36	
€500,000,000 Germany (Federal Republic of) 4.25% 2018	457,831	2.22	
€8,200,000 Green Storm 2017 FRN 2064	7,406	0.04	
€10,135,000 Harvest CLO VIII FRN 2026	8,951	0.04	
£31,895,970 Hawksmoor Mortgages FRN 2053	32,212	0.16	
€60,000,000 Johnson & Johnson 0.25% 2022	53,312	0.26	
€12,650,000 Johnson & Johnson 4.75% 2019	12,338	0.06	
€1,000,000 Jubilee CLO 0% 2014-XI 2030	885	0.00	
€20,000,000 KFW 0.875% 2022	19,890	0.10	
£5,550,930 Lanark Master Issuer FRN 2054	5,590	0.03	
£13,429,000 Lanark Master Issuer FRN 2069	13,455	0.06	
€5,000,000 Microsoft 2.125% 2021	4,767	0.02	
\$100,000,000 Microsoft 3.45% 2036	74,617	0.36	
\$20,000,000 Microsoft 3.5% 2035	15,147	0.07	
\$136,666,000 Microsoft 3.95% 2056	104,049	0.50	
\$143,570,000 Microsoft 4% 2055	110,042	0.53	
\$51,668,000 Microsoft 4.1% 2037	41,650	0.20	
\$15,000,000 Microsoft 4.5% 2040	12,550	0.06	
\$100,000,000 Microsoft 4.5% 2057	84,026	0.41	
\$100,000,000 Microsoft 4.75% 2055	86,875	0.42	
£9,741,635 Moorgate Funding FRN 2050	9,722	0.05	
€9,000,000 Nationwide Building Society 1.375% 2033	7,884	0.04	
£8,925,000 NewDay Partnership Funding FRN 2025	8,973	0.04	
£699,535 Paragon Mortgages No.11 FRN 2041 A2A	674	0.00	
€3,681,764 Paragon Mortgages No.11 FRN 2041 A2B	3,144	0.02	
€8,880,904 Paragon Mortgages No.12 FRN 2038	7,577	0.04	
\$13,464,386 Paragon Mortgages No.14 FRN 2039	9,684	0.05	
\$4,897,867 Paragon Mortgages No.15 FRN 2039 A2C	3,515	0.02	
£11,959,000 Penarth Master Issuer FRN 2022	12,009	0.06	
£2,442,303 Precise Mortgage Fund No2 FRN 2047	2,447	0.01	
£856,616 Precise Mortgage Funding FRN 2047	857	0.00	
£1,919,873 Precise Mortgage Funding FRN 2048	1,923	0.01	
£4,688,032 Residential Mortgage Securities FRN 2046	4,720	0.02	
£10,804,000 Residential Mortgage Securities FRN 2050	10,795	0.05	
£1,077,368 Residential Mortgage Securities No. 26 FRN 2041	1,101	0.01	
£3,843,854 Residential Mortgage Securities No.29 FRN 2046	3,862	0.02	
£3,792,922 Resimac UK RMBS No.1 FRN 2045	3,792	0.02	
£29,044,771 Ripon Mortgages FRN 2056	29,153	0.14	
£9,137,917 Rochester Financing No.1 FRN 2046	9,155	0.04	
£25,466,548 Slate FRN 2052	25,562	0.12	
£6,236,508 THRONES 2014-1 FRN 2049	6,235	0.03	
£9,193,681 Towd Point Mortgage Funding FRN 2045	9,236	0.04	
£7,938,529 Trinity Square FRN 2051 'A'	8,005	0.04	

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Investments

Portfolio statement (continued)			
as at 30 September Holding	2017 £'000	2017 %	2016 %
'AAA' credit rated bonds (continued)			
£5,721,981 Warwick Finance Residential Mortgage FRN 2049 01-A	5,743	0.03	
£18,131,051 Warwick Finance Residential Mortgage FRN 2049 02-A	18,407	0.09	
'AA' credit rated bonds			
	2,003,446	9.71	5.10
£2,324,760 Alba FRN 2037	2,157	0.01	
\$75,000,000 Apple 2.9% 2027	55,534	0.27	
£15,000,000 Apple 3.05% 2029	16,337	0.08	
\$24,000,000 Apple 3.2% 2027	18,216	0.09	
\$2,000,000 Apple 3.25% 2026	1,532	0.01	
\$17,500,000 Apple 4.65% 2046	14,694	0.07	
€16,880,826 AyT Hipotecario Mixto FRN 2041	14,342	0.07	
€10,000,000 Coca-Cola FRN 2019	8,867	0.04	
€14,634,000 Colgate-Palmolive FRN 2019	12,972	0.06	
€14,571,000 Deutsche Bahn Finance FRN 2023	13,066	0.06	
£1,298,572 Eurosail-UK FRN 2045	1,266	0.01	
€100,000,000 France (Govt. of) 0% 2019	89,020	0.43	
€200,000,000 France (Govt. of) 0% 2020	178,659	0.87	
€150,000,000 France (Govt. of) 0% 2022	133,518	0.65	
€100,000,000 France (Govt. of) 1% 2018	89,175	0.43	
€200,000,000 France (Govt. of) 1% 2027	180,823	0.88	
€100,000,000 France (Govt. of) 1.75% 2023	97,111	0.47	
€100,000,000 France (Govt. of) 1.75% 2024	97,592	0.47	
€100,000,000 France (Govt. of) 1.75% 2066	81,541	0.40	
€100,000,000 France (Govt. of) 2.25% 2024	100,539	0.49	
€15,000,000 GE Capital European Funding FRN 2020	13,318	0.06	
£160,410 General Electric Capital 6.44% 2022	178	0.00	
€10,000,000 General Electric Capital FRN 2020	8,868	0.04	
£21,765,000 Land Securities Capital Markets Var. Rate 2026 (1.974%)	21,929	0.11	
£37,000,000 Land Securities Capital Markets Var. Rate 2027 (5.391%)	45,884	0.22	
£8,858,000 Land Securities Capital Markets Var. Rate 2031 (2.399%)	8,984	0.04	
£19,030,000 Land Securities Capital Markets Var. Rate 2039 (2.625%)	18,875	0.09	
€3,880,000 Paragon Mortgages No.10 FRN 2041 A2B	3,315	0.02	
£184,461 Paragon Mortgages No.10 FRN 2041 B1A	172	0.00	
€1,047,854 Paragon Mortgages No.11 FRN 2041	853	0.00	
£1,275,762 Paragon Mortgages No.11 FRN 2041 B1A	1,178	0.01	
€9,398,220 Paragon Mortgages No.13 FRN 2039 A2B	7,994	0.03	
\$7,308,488 Paragon Mortgages No.13 FRN 2041 A2C	5,222	0.03	
€1,000,000 Paragon Mortgages No.15 FRN 2039 B1B	764	0.00	
\$7,500,000 Pfizer 7.2% 2039	8,246	0.04	
€11,029,000 Pfizer FRN 2019	9,774	0.05	
€20,000,000 Procter & Gamble 2% 2021	19,016	0.09	
€2,530,000 Province of Quebec 12.25% 2020	3,160	0.02	
\$5,000,000 Security Capital Group 7.7% 2028	5,146	0.03	
£20,326,000 Slate No.1 FRN 2051 'B'	20,303	0.10	
£2,500,000 Slate No.1 FRN 2051 'C'	2,503	0.01	
£20,000,000 SLM Student Loan Trust 5.15% 2039	19,123	0.09	
£14,000,000 SNCF 5.375% 2027	17,952	0.09	

Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
'AA' credit rated bonds (continued)			
£14,441,000 Towd Point Mortgage Funding FRN 2046	14,544	0.07	
€28,000,000 Toyota Motor Credit FRN 2018	24,766	0.12	
£150,000,000 Treasury 0.75% 2023	148,495	0.72	
£300,000,000 Treasury 1.25% 2018	302,070	1.46	
£50,000,000 Treasury 4.5% 2019	52,907	0.26	
£5,000,000 Trinity Square FRN 2051 'B'	4,998	0.02	
£6,000,000 Warwick Finance Residential Mortgage FRN 2049 01-B	5,948	0.03	
'A' credit rated bonds			
	1,192,944	5.78	7.36
\$1,666,140 Air Canada 4.125% 2026	1,324	0.01	
£6,915,900 Alba FRN 2038	6,649	0.03	
£728,811 Alba FRN 2042 05-1C	674	0.00	
€25,000,000 Allianz Finance II Var. Rate 2041 (5.75%)	25,970	0.13	
€17,500,000 Allianz Var. Rate 2042 (5.625%)	18,758	0.09	
€15,000,000 Allianz Var. Rate Perp. (3.375%)	14,327	0.07	
€10,000,000 América Móvil 0% 2020	8,706	0.04	
\$15,000,000 América Móvil 6.125% 2040	13,651	0.07	
£10,000,000 Amgen 4% 2029	11,262	0.05	
\$12,000,000 Anheuser-Busch InBev 3.65% 2026	9,264	0.05	
\$36,000,000 Anheuser-Busch InBev 4.7% 2036	29,566	0.14	
£66,912,000 Anheuser-Busch Inbev 6% 2029	64,643	0.31	
€6,000,000 Aon 2.875% 2026	5,837	0.03	
€6,050,000 Aquarius Plus Investments FRN (4.25%)	6,193	0.03	
£12,500,000 BG Energy Capital Var. Rate 2072 (6.5%)	12,600	0.06	
€8,739,000 BNP Paribas 1.5% 2025	7,827	0.04	
\$20,000,000 BNP Paribas 3.8% 2024	15,501	0.08	
€27,835,000 BNP Paribas FRN 2024	24,884	0.12	
€307,911 Brunel Residential Mortgages No.1 FRN 2039	272	0.00	
€1,000,000 Cloverie Var. Rate 2042 (6.625%)	1,118	0.01	
\$13,893,000 Cloverie Var. Rate 2046 (5.625%)	11,375	0.06	
\$5,783,000 Comcast Cable Communication 8.5% 2027	6,003	0.03	
€3,000,000 Demeter Investments Var. Rate 2046 (3.5%)	2,926	0.01	
\$8,000,000 EDF 6% 2114	6,649	0.03	
€9,995,000 ELM Var. Rate Perp. (2.6%)	8,907	0.04	
€6,300,000 ELM Var. Rate Perp. (6.3024%)	6,722	0.03	
€865,689 E-MAC NL (2005-III) FRN 2038	737	0.00	
€5,344,056 E-MAC Program FRN 2046	4,507	0.02	
€23,730,000 ENGIE 5.95% 2111	35,340	0.17	
€1,075,807 Eurosail-UK FRN 2045 07-1NC	933	0.00	
€3,729,512 Great Hall Mortgages No.1 FRN 2038	3,240	0.02	
\$8,241,411 Great Hall Mortgages No.1 FRN 2039	6,007	0.03	
£2,501,476 Greene King Finance 4.0643% 2035	2,741	0.01	
£7,964,700 Greene King Finance FRN 2033	7,861	0.04	
\$1,487,080 Hawaiian Airlines 3.9% 2027	1,153	0.01	
£44,600,000 Heathrow Funding 6.75% 2028	60,227	0.29	
£3,250,000 Heathrow Funding Var. Rate 2023 (9.2%)	4,091	0.02	
£4,222,000 Heathrow Funding Var. Rate 2030 (7.075%)	5,944	0.03	
€5,000,000 Honeywell International 1.3% 2023	4,584	0.02	
£12,000,000 HSBC Bank 5.375% 2033	15,399	0.07	
£2,000,000 HSBC Bank 6.5% 2023	2,445	0.01	
£8,756,000 HSBC Bank Var. Rate 2030 (5.375%)	10,478	0.05	
£16,000,000 HSBC Holdings 2.625% 2028	15,956	0.08	
\$39,800,000 HSBC Holdings Var. Rate 2028 (4.041%)	30,927	0.15	
\$4,250,000 HSBC USA 9.125% 2021	3,831	0.02	
£16,861,000 INTU Finance 4.125% 2028	18,499	0.09	

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Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
'A' credit rated bonds (continued)			
£5,500,000 INTU Finance 4.625% 2028	6,320	0.03	
¥14,400,000,000 Japan (Govt. of) 0.1% IL 2026	99,794	0.48	
\$20,000,000 JPMorgan Chase Var. Rate 2028 (3.54%)	15,111	0.07	
£240,510 Landmark Mortgage Securities FRN 2038	236	0.00	
£1,510,254 Landmark Mortgage Securities FRN 2039	1,428	0.01	
£9,524,945 Landmark Mortgage Securities FRN 2044	9,110	0.04	
\$8,000,000 Legrande France 8.5% 2025	7,699	0.04	
£10,848,339 Ludgate Funding FRN 2061	10,269	0.05	
£5,180,103 Mansard Mortgages FRN 2049	5,071	0.03	
€900,000 Marble Arch Residential Securitisation No.4 FRN 2040	781	0.00	
£831,948 Marble Arch Residential Securitisation No.4 FRN 2040	830	0.00	
£3,285,660 Mitchells & Butlers Finance 5.574% 2030	3,841	0.02	
£1,696,600 Mitchells & Butlers Finance 5.965% 2025	1,891	0.01	
£2,675,113 Mitchells & Butlers Finance 6.013% 2030	3,182	0.02	
£2,004,934 Mitchells & Butlers Finance FRN 2030	1,834	0.01	
\$11,772,070 Mitchells & Butlers Finance FRN 2030	8,180	0.04	
£10,000,000 Mitchells & Butlers Finance FRN 2033	8,430	0.04	
£2,655,256 Mortgages No.6 FRN 2037	2,601	0.01	
£6,261,763 Mortgages No.7 FRN 2038	6,165	0.03	
£15,000,000 Munich Re Finance Var. Rate 2042 (6.625%)	17,777	0.09	
£4,000,000 National Grid Electricity Transmission 3.806% IL 2020	7,134	0.03	
£1,397,955 Newgate Funding FRN 2050 A2	1,392	0.01	
£5,095,264 Newgate Funding FRN 2050 A3A	4,862	0.02	
£1,430,244 Newgate Funding FRN 2050 A4	1,385	0.01	
€8,000,000 Paragon Mortgages No.13 FRN 2039 B1B	6,417	0.03	
£2,677,000 Penarian Housing Finance 3.212% 2052	2,640	0.01	
€6,977 Preferred Residential Securities FRN 2040	6	0.00	
£4,370,517 RMAC 2003-Ns4 FRN 2044 A2A	4,172	0.02	
£1,299,333 RMAC 2005-Ns1 FRN 2037 A2A	1,245	0.01	
£1,454,477 RMAC 2005-Ns1 FRN 2037 A2C	1,245	0.01	
\$388,438 RMAC 2005-Ns2 FRN 2037 A2B	281	0.00	
£2,468,537 RMAC 2006-Ns1 FRN 2044 A2A	2,371	0.01	
€2,013,312 RMAC 2006-Ns2 FRN 2044 A2C	1,723	0.01	
£26,393,923 RMAC 2006-Ns4 FRN 2044 A3A	25,330	0.12	
€1,429,823 RMAC 2006-Ns4 FRN 2044 A3A M1C	1,169	0.01	
£1,418,000 SAP FRN 2018	1,255	0.01	
€5,010,000 SAP FRN 2020	4,445	0.02	
\$19,031,678 S-JETS 2017-1 3.967% 2042	14,196	0.07	
£5,776,000 Society of Lloyds Var. Rate 2047 (4.875%)	6,235	0.03	
€10,000,000 Total Var. Rate Perp. (3.369%)	9,216	0.05	
€15,120,000 UBS FRN 2022	13,528	0.07	
£6,000,000 UNITE (USAF) II 3.374% 2023	6,434	0.03	
£2,303,000 UNITE (USAF) II 3.921% 2030	2,582	0.01	
€12,758,000 US Bancorp 0.85% 2024	11,246	0.05	
£11,000,000 Wells Fargo & Company 2% 2025	10,785	0.05	

Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
'A' credit rated bonds (continued)			
£8,493,000 Wells Fargo & Company 2.125% 2023	8,594	0.04	
\$6,000,000 Wells Fargo & Company 3.45% 2023	4,597	0.02	
\$100,000,000 Wells Fargo & Company 4.1% 2026	77,460	0.38	
\$30,000,000 Wells Fargo & Company 4.125% 2023	23,732	0.11	
\$100,000,000 Wells Fargo & Company 4.3% 2027	78,906	0.38	
£3,500,000 Wells Fargo & Company 4.875% 2035	4,294	0.02	
£50,000,000 Wells Fargo & Company 5.25% 2023	58,818	0.29	
£5,500,000 Western Power Distribution 3.875% 2024	6,130	0.03	
£10,000,000 Western Power Distribution 5.25% 2023	11,704	0.06	
£5,000,000 Western Power Distribution Var. Rate 2025 (6%)	6,367	0.03	
\$2,000,000 Willow No.2 (Ireland) Var. Rate 2045 (4.25%)	1,502	0.01	
£2,000,000 Yorkshire Water Services Odsal Finance 6.5876% 2023	2,488	0.01	
'BBB' credit rated bonds			
	8,328,615	40.36	36.21
£6,882,000 3i Group 5.75% 2032	8,728	0.04	
£16,000,000 3i Group 6.875% 2023	19,553	0.09	
\$20,000,000 Abbott Laboratories 3.75% 2026	15,279	0.07	
\$19,600,000 ABN AMRO Bank Var. Rate 2028 (4.4%)	15,124	0.07	
£4,965,000 Akelius Residential Property 2.375% 2025	4,845	0.02	
£22,000,000 América Móvil Var. Rate 2073 (6.375%)	24,151	0.12	
€8,676,000 American International Group 1.875% 2027	7,729	0.04	
£3,667,000 Anglian Water Services 2.625% 2027	3,600	0.02	
£10,000,000 Anglian Water Services 4.5% 2026	11,357	0.05	
£5,943,000 Annington Funding 2.646% 2025	5,979	0.03	
£7,778,000 Annington Funding 3.184% 2029	7,839	0.04	
£7,406,000 Annington Funding 3.685% 2034	7,620	0.04	
£5,624,000 Annington Funding 3.935% 2047	5,963	0.03	
£4,000,000 APT Pipelines 4.25% 2024	4,449	0.02	
€8,340,000 Arion Bank 0.75% 2020	7,402	0.04	
£73,000,000 AT&T 3.55% 2037	69,846	0.34	
\$12,500,000 AT&T 3.95% 2025	9,561	0.05	
\$10,000,000 AT&T 4.125% 2026	7,668	0.04	
£46,650,000 AT&T 4.25% 2043	48,754	0.24	
\$20,000,000 AT&T 4.35% 2045	13,556	0.07	
£42,000,000 AT&T 4.375% 2029	46,558	0.23	
\$6,000,000 AT&T 4.5% 2035	4,411	0.02	
\$100,000,000 AT&T 4.5% 2048	68,375	0.33	
\$100,237,000 AT&T 4.55% 2049	68,658	0.33	
\$25,000,000 AT&T 4.8% 2044	18,110	0.09	
£37,978,000 AT&T 4.875% 2044	43,330	0.21	
\$22,000,000 AT&T 4.9% 2037	16,493	0.08	
\$6,000,000 AT&T 5.15% 2042	4,575	0.02	
\$29,851,000 AT&T 5.15% 2050	22,351	0.11	
£19,500,000 AT&T 5.2% 2033	23,156	0.11	
\$73,332,000 AT&T 5.25% 2037	57,221	0.28	
\$40,000,000 AT&T 5.3% 2058	29,998	0.14	
\$8,369,000 AT&T 5.35% 2040	6,516	0.03	
\$35,000,000 AT&T 5.45% 2047	27,472	0.13	
\$25,000,000 AT&T 5.65% 2047	20,196	0.10	
\$50,000,000 AT&T 5.7% 2057	39,834	0.19	
\$7,500,000 AT&T 6.35% 2040	6,549	0.03	
\$13,000,000 AT&T 6.375% 2041	11,325	0.05	
£8,500,000 AT&T 7% 2040	12,296	0.06	
€5,800,000 ATF Netherlands 1.875% 2026	5,101	0.02	
€13,090,909 Australia (Commonwealth of) Var. Rate 2029 (1.936%)	11,547	0.06	
£42,250,000 Aviva Var. Rate 2036 (6.125%)	49,448	0.24	
£18,000,000 Aviva Var. Rate 2041 (6.625%)	20,496	0.10	

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Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
'BBB' credit rated bonds (continued)			
€12,096,000 Aviva Var. Rate 2044 (3.875%)	11,691	0.06	
£4,953,000 Aviva Var. Rate 2049 (4.375%)	5,086	0.02	
£25,000,000 Aviva Var. Rate 2050 (5.125%)	26,991	0.13	
£35,000,000 Aviva Var. Rate 2058 (6.875%)	46,083	0.22	
£10,000,000 Aviva Var. Rate Perp. (6.125%)	11,287	0.05	
€2,000,000 AXA Var. Rate 2043 (5.125%)	2,104	0.01	
€60,000,000 AXA Var. Rate 2047 (3.375%)	57,438	0.28	
£18,000,000 AXA Var. Rate 2047 (5.125%)	14,483	0.07	
£44,000,000 AXA Var. Rate 2054 (5.625%)	50,674	0.25	
£10,000,000 AXA Var. Rate Perp. (5.453%)	11,251	0.05	
£18,775,000 AXA Var. Rate Perp. (6.6862%)	22,273	0.11	
£19,668,000 Bank of America 2.3% 2025	19,661	0.09	
\$30,000,000 Bank of America 3.95% 2025	23,064	0.11	
\$15,000,000 Bank of America 4% 2025	11,585	0.06	
\$90,000,000 Bank of America 4.183% 2027	69,555	0.34	
\$30,000,000 Bank of America 4.2% 2024	23,519	0.11	
£7,500,000 Bank of America 4.25% 2026	8,532	0.04	
\$93,334,000 Bank of America 4.25% 2026	72,909	0.35	
\$25,000,000 Bank of America 4.45% 2026	19,711	0.10	
£16,500,000 Bank of America 5.5% 2021	18,813	0.09	
£29,000,000 Bank of America 7% 2028	40,503	0.20	
£12,500,000 Bank of America 8.125% 2028	17,734	0.09	
€30,000,000 Bank of America FRN 2023	26,755	0.13	
\$42,858,000 Bank of America Var. Rate 2028 (3.705%)	32,480	0.16	
\$50,000,000 Bank of America Var. Rate 2028 (3.824%)	38,250	0.19	
£15,000,000 Bank of Scotland 9.375% 2021	18,939	0.09	
£15,000,000 Barclays Bank 3.125% 2024	15,516	0.07	
\$4,750,000 Basell Finance 8.1% 2027	4,729	0.02	
£28,962,000 Bat Capital Corp 2.125% 2025	28,444	0.14	
\$37,500,000 Bat Capital Corp 4.39% 2037	28,391	0.14	
\$30,000,000 Bat Capital Corp 4.54% 2047	22,672	0.11	
£16,000,000 BAT International Finance 4% 2026	17,797	0.09	
€20,000,000 Bayer Var. Rate 2075 (3%)	18,513	0.09	
€4,869,000 Becton Dickinson 1.9% 2026	4,328	0.02	
€15,000,000 BNP Paribas 2.25% 2027	13,545	0.07	
€19,929,000 BNP Paribas 2.375% 2025	18,524	0.09	
€20,000,000 BNP Paribas 2.625% 2027	18,863	0.09	
€15,000,000 BNP Paribas 2.75% 2026	14,201	0.07	
\$20,571,000 BNP Paribas 4.375% 2025	16,003	0.08	
\$15,000,000 BNP Paribas 4.375% 2026	11,669	0.06	
\$70,000,000 BNP Paribas 4.625% 2027	55,340	0.27	
€10,000,000 BNP Paribas 6.125% Perp.	9,974	0.05	
\$10,000,000 BNP Paribas Var. Rate Perp. (6.75%)	7,985	0.04	
\$10,000,000 BNP Paribas Var. Rate Perp. (7.625%)	8,205	0.04	
£7,000,000 Bouygues 5.5% 2026	8,680	0.04	
£27,000,000 BPCE 5.25% 2029	31,631	0.15	
\$60,000,000 British Telecommunications Var. Rate 2030 (9.625%)	67,895	0.33	
€8,600,000 CaixaBank 1.125% 2023	7,549	0.04	
\$30,000,000 Capital One Financial 3.75% 2027	22,580	0.11	
\$10,500,000 CBS 4.85% 2042	8,186	0.04	
\$3,000,000 CBS 5.9% 2040	2,643	0.01	
€12,044,000 Channel Link Enterprises Finance 1.761% IL 2050	10,790	0.05	
£3,667,000 Channel Link Enterprises Finance 3.848% 2050	3,880	0.02	

Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
'BBB' credit rated bonds (continued)			
€15,000,000 Channel Link Enterprises Finance Var. Rate 2050 (2.706%)	13,566	0.07	
£6,343,000 Channel Link Enterprises Finance Var. Rate 2050 (3.043%)	6,333	0.03	
\$20,000,000 Charter Communications Operating 3.75% 2028	14,541	0.07	
\$31,667,000 Citigroup 3.5% 2023	24,088	0.12	
\$10,000,000 Citigroup 4% 2024	7,740	0.04	
\$20,000,000 Citigroup 4.125% 2028	15,312	0.07	
\$35,000,000 Citigroup 4.3% 2026	27,202	0.13	
\$32,006,000 Citigroup 4.4% 2025	25,154	0.12	
\$40,000,000 Citigroup 4.45% 2027	31,467	0.15	
\$10,000,000 Citigroup 4.6% 2026	7,925	0.04	
\$14,955,000 Citigroup 5.5% 2025	12,536	0.06	
\$5,000,000 Citigroup 6.625% 2032	4,725	0.02	
\$30,000,000 Citigroup FRN 2024	22,462	0.11	
€2,500,000 Commerzbank 4% 2026	2,466	0.01	
\$12,000,000 Commerzbank 8.125% 2023	10,845	0.05	
€20,000,000 Crédit Agricole 2.625% 2027	18,743	0.09	
\$20,000,000 Crédit Agricole 4.125% 2027	15,604	0.08	
\$5,000,000 Crédit Agricole 4.375% 2025	3,881	0.02	
€6,000,000 Credit Agricole Var. Rate 2048 (4.75%)	6,051	0.03	
€23,427,000 Credit Suisse Group Funding Var. Rate 2025 (2.125%)	23,061	0.11	
\$10,000,000 CRH America Finance 3.4% 2027	7,494	0.04	
£6,758,000 CRH Finance (U.K.) 4.125% 2029	7,655	0.04	
£6,000,000 CS Group Funding 2.75% 2025	6,143	0.03	
£10,000,000 Daily Mail & General Trust 6.375% 2027	11,727	0.06	
\$2,000,000 Demeter Investments Var. Rate 2050 (5.75%)	1,617	0.01	
\$40,000,000 Deutsche Telekom International Finance 3.6% 2027	30,187	0.15	
\$14,000,000 Deutsche Telekom International Finance 4.875% 2042	11,418	0.05	
\$70,000,000 Deutsche Telekom International Finance 8.75% 2030	76,811	0.37	
\$16,000,000 Deutsche Telekom International Finance 9.25% 2032	18,815	0.09	
€22,000,000 Deutsche Telekom International Finance FRN 2020	19,536	0.09	
£3,551,000 Digital Stout Holding 2.75% 2024	3,576	0.02	
£7,613,000 Digital Stout Holding 3.3% 2029	7,654	0.04	
\$7,500,000 E.ON International Finance 6.65% 2038	7,239	0.03	
€10,000,000 Elenia Finance 2.875% 2020	9,536	0.05	
€3,091,000 ELM 3.375% 2047	2,853	0.01	
€8,800,000 ELM Var. Rate Perp. (4.5%)	8,606	0.04	
£2,000,000 Enel 5.75% 2037	2,666	0.01	
\$152,238,000 Enel Finance International 3.625% 2027	114,301	0.55	
£2,000,000 Enel Finance International 5.625% 2024	2,425	0.01	
£3,494,000 Enel Finance International 5.75% 2040	4,726	0.02	
\$3,500,000 Enel Finance International 6% 2039	3,200	0.02	
\$2,000,000 Enel Finance International 6.8% 2037	1,964	0.01	
\$29,000,000 Energy Transfer Partners 4.05% 2025	22,000	0.11	
\$2,000,000 Energy Transfer Partners 4.9% 2035	1,464	0.01	
\$10,000,000 Energy Transfer Partners 5.15% 2045	7,227	0.03	
\$3,000,000 Energy Transfer Partners 6.125% 2045	2,440	0.01	
\$14,285,000 Energy Transfer Partners 6.5% 2042	11,994	0.06	

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as at 30 September Holding	2017 £'000	2017 %	2016 %
'BBB' credit rated bonds (continued)			
£12,000,000 ENGIE Var. Rate Perp. (4.625%)	12,431	0.06	
£12,456,000 Eversholt Funding 3.529% 2042	12,218	0.06	
€11,483,000 Fastighets AB Balder 1.875% 2025	10,278	0.05	
€7,884,000 Fastighets AB Balder 1.875% 2026	6,935	0.03	
£4,000,000 Fidelity International 7.125% 2024	4,996	0.02	
£549,717 First Flexible No 5 FRN 2034 'B'	558	0.00	
€5,000,000 FMC Finance 5.25% 2021	5,127	0.02	
\$3,700,000 Ford Motor Company 9.215% 2021	3,378	0.02	
\$23,920,000 Ford Motor Credit 4.389% 2026	18,573	0.09	
\$20,000,000 Fresenius Medical Care 5.75% 2021	16,374	0.08	
\$4,395,000 Fresenius US Finance II 4.25% 2021	3,429	0.02	
£14,737,000 Gatwick Funding 3.125% 2041	14,748	0.07	
£3,000,000 Gatwick Funding 5.25% 2024	3,532	0.02	
£15,000,000 Gatwick Funding 6.125% 2028	19,145	0.09	
\$20,000,000 General Motors Corp 4.2% 2017	15,150	0.07	
\$10,000,000 General Motors Corp 5% 2035	7,568	0.04	
\$30,000,000 General Motors Corp 5.15% 2038	22,890	0.11	
\$10,000,000 General Motors Finance 4.35% 2027	7,655	0.04	
\$20,000,000 General Motors Financial 3.95% 2024	15,258	0.07	
\$29,000,000 General Motors Financial 4% 2025	22,022	0.11	
\$10,000,000 General Motors Financial 4% 2026	7,518	0.04	
\$13,332,000 General Motors Financial 4.3% 2025	10,265	0.05	
\$50,000,000 General Motors Financial 5.25% 2026	40,655	0.20	
\$15,000,000 General Motors Financial 6.6% 2036	13,235	0.06	
£18,000,000 GKN Holdings 3.375% 2032	17,792	0.09	
£10,000,000 GKN Holdings 5.375% 2022	11,554	0.06	
€5,249,000 Global Switch Holdings 2.25% 2027	4,781	0.02	
€5,349,000 Goldman Sachs Group 1.25% 2025	4,701	0.02	
£17,500,000 Goldman Sachs Group 4.25% 2026	19,507	0.09	
£34,000,000 Goldman Sachs Group 5.5% 2021	38,769	0.19	
£16,000,000 Goldman Sachs Group 6.875% 2038	22,934	0.11	
£9,300,000 Goldman Sachs Group 7.125% 2025	12,358	0.06	
£32,500,000 Goldman Sachs Group 7.25% 2028	45,052	0.22	
\$20,000,000 Goldman Sachs Group Var. Rate 2028 (3.691%)	15,041	0.07	
\$2,500,000 Goodman Hong Kong 4.375% 2024	1,960	0.01	
£4,515,000 Grainger 5% 2020	4,921	0.02	
£11,000,000 H.J. Heinz Finance 6.25% 2030	13,965	0.07	
\$30,000,000 HCA 4.5% 2027	22,697	0.11	
\$14,273,000 HCA 4.75% 2023	11,236	0.05	
\$25,727,000 HCA 5% 2024	20,470	0.10	
\$23,077,000 HCA 5.25% 2025	18,563	0.09	
\$10,000,000 HCA 5.25% 2026	8,023	0.04	
\$20,000,000 HCA 5.5% 2047	15,479	0.08	
\$12,500,000 HCA 5.875% 2022	10,306	0.05	
\$10,000,000 HCA 6.5% 2020	8,109	0.04	
\$15,000,000 HCP 3.4% 2025	11,151	0.05	
£10,000,000 Heathrow Funding 7.125% 2024	12,670	0.06	
€9,841,000 Holcim Finance (Luxembourg) 1.75% 2029	8,546	0.04	
\$20,000,000 HSBC Holdings 4.375% 2026	15,601	0.08	
£45,000,000 HSBC Holdings 6% 2040	60,141	0.29	
£36,000,000 HSBC Holdings 6.75% 2028	47,246	0.23	
£32,000,000 HSBC Holdings 7% 2038	46,799	0.23	
£10,000,000 Iberdrola Finanzas 6% 2022	11,921	0.06	
€20,000,000 Imperial Brands Finance 1.375% 2025	17,709	0.09	

Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
'BBB' credit rated bonds (continued)			
£20,000,000 Imperial Brands Finance 4.875% 2032	23,752	0.12	
£5,000,000 Imperial Tobacco Finance 5.5% 2026	6,113	0.03	
£19,500,000 Imperial Tobacco Finance 8.125% 2024	26,128	0.13	
£14,400,000 ING Bank Var. Rate 2023 (6.875%)	14,901	0.07	
€9,200,000 ING Group Var. Rate 2029 (1.625%)	8,036	0.04	
£10,000,000 InterContinental Hotels 2.125% 2026	9,541	0.05	
£12,000,000 InterContinental Hotels 3.875% 2022	13,038	0.06	
\$18,000,000 International Paper 3% 2027	13,030	0.06	
\$20,000,000 International Paper 4.4% 2047	15,028	0.07	
\$10,000,000 Intesa Sanpaolo 5.25% 2024	8,237	0.04	
€100,000,000 Italy (Republic of) 0.9% 2022	88,581	0.43	
€25,000,000 Italy (Republic of) 1.2% 2022	22,574	0.11	
€25,000,000 Italy (Republic of) 1.5% 2025	21,765	0.11	
€25,000,000 Italy (Republic of) 2.05% 2027	21,884	0.11	
€50,000,000 Italy (Republic of) 2.15% 2021	47,049	0.23	
€125,000,000 Italy (Republic of) 2.2% 2027	111,442	0.54	
€50,000,000 Italy (Republic of) 2.7% 2047	39,506	0.19	
€25,000,000 Italy (Republic of) 2.8% 2067	18,662	0.09	
€100,000,000 Italy (Republic of) 4.5% 2024	105,344	0.51	
£15,462,000 Italy (Republic of) 5.25% 2034	18,240	0.09	
£67,207,000 Italy (Republic of) 6% 2028	82,507	0.40	
\$75,000,000 JPMorgan Chase 3.625% 2027	56,104	0.27	
\$110,000,000 JPMorgan Chase 3.875% 2024	85,373	0.41	
\$120,000,000 JPMorgan Chase 4.125% 2026	93,500	0.45	
\$80,000,000 JPMorgan Chase 4.25% 2027	62,901	0.30	
\$10,000,000 Kinder Morgan 4.3% 2025	7,810	0.04	
\$45,000,000 Kinder Morgan 5.05% 2046	33,832	0.16	
\$40,000,000 Kinder Morgan 5.55% 2045	31,851	0.15	
\$4,000,000 Kinder Morgan 5.625% 2023	3,307	0.02	
\$2,500,000 Kinder Morgan 7.75% 2032	2,377	0.01	
\$15,000,000 Kinder Morgan Energy Partners 4.15% 2024	11,607	0.06	
\$15,000,000 Kinder Morgan Energy Partners 4.25% 2024	11,635	0.06	
\$7,000,000 Kinder Morgan Energy Partners 4.3% 2024	5,448	0.03	
\$3,500,000 Kinder Morgan Energy Partners 5.8% 2035	2,827	0.01	
\$3,000,000 Kinder Morgan Energy Partners 6.95% 2038	2,702	0.01	
£4,500,000 KPN 5% 2026	5,306	0.03	
£3,000,000 KPN 5.75% 2029	3,790	0.02	
\$51,250,000 KPN 8.375% 2030	53,193	0.26	
€10,000,000 Kraft Heinz Foods 1.5% 2024	8,936	0.04	
€10,000,000 Kraft Heinz Foods 2% 2023	9,276	0.04	
€40,000,000 Kraft Heinz Foods 2.25% 2028	35,884	0.17	
€10,000,000 Kraft Heinz Foods 4.125% 2027	10,963	0.05	
£5,335,000 LafargeHolcim Sterling Finance (Netherlands) 3% 2032	5,213	0.03	
\$15,000,000 Lear 5.25% 2025	12,022	0.06	
£18,400,000 Legal & General Group 10% IL 2041	23,559	0.11	
\$45,000,000 Legal & General Group 5.375% 2045	49,565	0.24	
\$30,000,000 Legal & General Group Var. Rate 2047 (5.25%)	23,718	0.11	
£45,000,000 Legal & General Group Var. Rate 2064 (5.5%)	48,587	0.24	
£5,670,000 Legal & General Group Var. Rate Perp. (5.875%)	5,983	0.03	
£4,500,000 Lloyds Bank Var. Rate 2025 (7.75%)	4,925	0.02	
\$20,000,000 Lloyds Bank 3.75% 2027	15,169	0.07	
£25,000,000 Lloyds Bank 7.625% 2025	33,363	0.16	

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Portfolio statement (continued)			
as at 30 September	2017	2017	2016
Holding	£'000	%	%
'BBB' credit rated bonds (continued)			
£27,000,000 Lloyds Bank 9.625% 2023	36,620	0.18	
€1,500,000 Ludgate Funding FRN 2061	1,174	0.01	
€9,058,274 Lusitano Mortgages No.5 FRN 2059	7,355	0.04	
£750,000 Marston's Issuer Var. Rate 2027 (5.1576%)	748	0.00	
£2,000,000 Marston's Issuer Var. Rate 2032 (5.1774%)	2,227	0.01	
€5,000,000 McDonalds 1.25% 2022	4,552	0.02	
£9,000,000 McDonalds 5.875% 2032	12,162	0.06	
\$5,500,000 McDonalds 6.3% 2037	5,306	0.03	
\$12,000,000 McDonalds 6.3% 2038	11,611	0.06	
€200,000 McDonalds FRN 2019	177	0.00	
£5,541,000 McKesson Corporation 3.125% 2029	5,584	0.03	
£73,398,000 Mexico (United Mexican States) 5.625% 2114	78,829	0.38	
\$10,000,000 Mexico (United Mexican States) 5.75% 2110	7,958	0.04	
\$11,925,000 Mexico City Airport 5.5% 2047	8,982	0.04	
\$12,000,000 Mizuho Finance (Cayman) 4.6% 2024	9,497	0.05	
£1,000,000 Mondelēz International 3.875% 2045	1,027	0.00	
£1,750,000 Mondelēz International 4.5% 2035	1,957	0.01	
\$22,000,000 Monsanto 4.7% 2064	16,297	0.08	
£30,000,000 Morgan Stanley 2.625% 2027	29,916	0.14	
\$50,000,000 Morgan Stanley 3.625% 2027	37,787	0.18	
\$20,000,000 Morgan Stanley 3.7% 2024	15,433	0.07	
\$15,000,000 Morgan Stanley 3.875% 2024	11,736	0.06	
\$90,000,000 Morgan Stanley 3.95% 2027	68,244	0.33	
\$10,000,000 Morgan Stanley 4.1% 2023	7,827	0.04	
\$90,000,000 Morgan Stanley 4.35% 2026	70,178	0.34	
\$7,000,000 Morgan Stanley 4.875% 2022	5,667	0.03	
\$50,000,000 Morgan Stanley 5% 2025	40,786	0.20	
\$15,000,000 Motorola Solutions 4% 2024	11,452	0.06	
\$10,000,000 MPLX LP 4.875% 2025	7,981	0.04	
€20,000,000 MPT Operating Partnership 3.325% 2025	18,283	0.09	
\$11,495,000 Mylan 4.2% 2023	8,978	0.04	
£26,911,000 National Grid 2.125% 2028	26,024	0.13	
\$12,147,000 Nationwide Building Society 4% 2026	9,032	0.04	
€15,000,000 Nationwide Building Society 6.75% 2020	15,577	0.08	
€9,149,000 Nationwide Building Society Var. Rate 2029 (2%)	8,110	0.04	
€1,224,892 Newgate Funding FRN 2050	937	0.00	
£25,000,000 Next 3.625% 2028	25,482	0.12	
£20,000,000 Next 4.375% 2026	21,854	0.11	
£38,750,000 NGG Finance Var. Rate 2073 (5.625%)	43,984	0.21	
€15,000,000 Nielsen Norman Group Var. Rate 2044 (4.625%)	14,921	0.07	
£20,000,000 Orange 5.625% 2034	26,624	0.13	
\$75,000,000 Orange 8.5% 2031	84,675	0.41	
€70,833,000 Orange Var. Rate Perp. (5%)	71,559	0.35	
€25,000,000 Orange Var. Rate Perp. (5.25%)	25,542	0.12	
£30,000,000 Orange Var. Rate Perp. (5.75%)	33,362	0.16	
£12,000,000 Orange Var. Rate Perp. (5.875%)	13,348	0.06	
\$7,000,000 Pertamina Persero 6.45% 2044	6,207	0.03	
€10,000,000 Petroleos Mexicano 2.75% 2027	8,254	0.04	
€10,000,000 Petroleos Mexicano 3.75% 2024	9,384	0.05	
€50,000,000 Portugal (Republic of) 2.875% 2025	47,029	0.23	
€50,000,000 Portugal (Republic of) 4.125% 2027	50,666	0.25	

Portfolio statement (continued)

as at 30 September	2017	2017	2016
Holding	£'000	%	%
'BBB' credit rated bonds (continued)			
\$60,000,000 Portugal (Republic of) 5.125% 2024	47,593	0.23	
€50,000,000 Portugal (Republic of) 5.65% 2024	55,149	0.27	
\$13,600,000 Rabobank 4% 2029	10,281	0.05	
£16,000,000 Rabobank 4.625% 2029	18,106	0.09	
£12,000,000 Rabobank 5.25% 2027	14,194	0.07	
\$12,000,000 Reed Elsevier Capital 7.5% 2025	11,083	0.05	
\$6,000,000 Reynolds American 6.15% 2043	5,575	0.03	
\$9,750,000 Reynolds American 7.25% 2037	9,830	0.05	
€13,687,000 Royal Bank of Scotland 2.5% 2023	12,963	0.06	
€13,767,000 Royal Bank of Scotland FRN 2023	10,344	0.05	
€12,553,000 Royal Bank of Scotland Var. Rate 2023 (2%)	11,582	0.06	
€18,400,000 Santander Issuances 3.125% 2027	17,287	0.08	
€10,386,000 Santander UK FRN 2023	9,244	0.04	
£10,000,000 Scottish Widows 5.5% 2023	11,144	0.05	
£10,000,000 Severn Trent Utilities Finance 6.25% 2029	13,897	0.07	
\$25,000,000 Société Générale 4% 2027	19,191	0.09	
\$55,000,000 Société Générale 4.25% 2025	42,062	0.20	
\$20,000,000 Société Générale 4.75% 2025	15,785	0.08	
\$50,000,000 Société Générale 5% 2024	39,997	0.19	
€16,600,000 Sogecap Var. Rate Perp. (4.125%)	15,939	0.08	
£3,300,000 Southern Water Services Finance Var. Rate 2038 (4.5%)	3,616	0.02	
€100,000,000 Spain (Kingdom of) 1.5% 2027	88,249	0.43	
€20,000,000 Spain (Kingdom of) 1.95% 2030	17,646	0.09	
€150,000,000 Spain (Kingdom of) 2.9% 2046	133,484	0.65	
€250,000,000 Spain (Kingdom of) 3.45% 2066	233,417	1.13	
£19,000,000 Spain (Kingdom of) 5.25% 2029	22,398	0.11	
€50,000,000 Spain (Kingdom of) 5.4% 2023	55,573	0.27	
£20,000,000 Standard Chartered 5.125% 2034	21,772	0.11	
€2,000,000 Storebrand Livsforsikring Var. Rate 2043 (6.875%)	2,146	0.01	
£4,816,000 Student Finance 2.6663% 2024	4,801	0.02	
\$20,000,000 Telefónica (Europe) 8.25% 2030	21,071	0.10	
£5,600,000 Telefónica Emisiones 5.375% 2026	6,698	0.03	
\$40,000,000 Telefónica Emisiones 7.045% 2036	39,483	0.19	
\$10,000,000 Tengizchevroil 4% 2026	7,384	0.04	
£3,935,000 Thames Water Utilities Cayman 2.375% 2023	3,900	0.02	
£4,725,000 Thames Water Utilities Cayman 2.875% 2027	4,635	0.02	
£8,446,000 Thames Water Utilities Cayman Var. Rate 2024 (1.875%)	8,306	0.04	
£29,000,000 Thames Water Utilities Cayman Var. Rate 2030 (5.75%)	33,311	0.16	
£1,250,000 Thames Water Utilities Finance 3.375% IL 2021	2,250	0.01	
£5,000,000 Thames Water Utilities Finance 6.75% 2028	6,936	0.03	
€4,000,000 Thermo Fisher Scientific 1.45% 2027	3,503	0.02	
€4,410,000 Thermo Fisher Scientific 2.875% 2037	3,908	0.02	
\$2,000,000 Time Warner 6.2% 2040	1,771	0.01	
\$5,000,000 Time Warner 6.25% 2041	4,445	0.02	
£35,100,000 Time Warner Cable 5.25% 2042	39,671	0.19	
£32,400,000 Time Warner Cable 5.75% 2031	38,187	0.18	
\$8,136,000 Transportadora de Gas del Perú 4.25% 2028	6,305	0.03	
\$8,000,000 United Business Media 5.75% 2020	6,282	0.03	
\$5,000,000 UPM-Kymmene 7.45% 2027	4,726	0.02	
\$5,000,000 Uruguay (Republic of) 5.1% 2050	3,926	0.02	
\$132,500,000 Verizon Communications 4.272% 2036	96,566	0.47	
\$15,000,000 Verizon Communications 4.4% 2034	11,171	0.05	
\$50,000,000 Verizon Communications 4.5% 2033	38,069	0.18	
\$40,000,000 Verizon Communications 4.522% 2048	28,589	0.14	

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Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
'BBB' credit rated bonds (continued)			
\$255,000,000 Verizon Communications 4.672% 2022	179,340	0.87	
\$50,000,000 Verizon Communications 5.012% 2049	37,998	0.18	
\$270,000,000 Verizon Communications 5.012% 2054	201,645	0.98	
\$170,000,000 Verizon Communications 5.25% 2037	138,009	0.67	
£10,000,000 Vodafone Group 5.9% 2032	12,843	0.06	
€1,300,000 Vonovia Finance 4.625% 2074	1,210	0.01	
€8,800,000 Vonovia Finance Var. Rate Perp. (4%)	8,452	0.04	
\$10,000,000 W.P. Carey 4% 2025	7,539	0.04	
£7,500,000 Wales & West Utilities Finance Var. Rate 2036 (6.75%)	7,932	0.04	
€10,000,000 Walgreens Boots Alliance 2.125% 2026	9,195	0.04	
\$10,000,000 Walgreens Boots Alliance 3.45% 2026	7,394	0.04	
£16,666,000 Walgreens Boots Alliance 3.6% 2025	18,087	0.09	
£12,500,000 Welltower 4.5% 2034	14,157	0.07	
£3,022,000 Welltower 4.8% 2028	3,502	0.02	
£16,869,000 Westfield America 2.125% 2025	16,396	0.08	
\$4,750,000 Weyerhaeuser 7.375% 2032	4,933	0.02	
\$16,128,000 Williams Partners 4.875% 2024	12,600	0.06	
£8,000,000 WPP Finance 2.875% 2046	6,823	0.03	
\$15,000,000 WPP Finance 3.75% 2024	11,441	0.06	
€10,000,000 Zimmer Biomet 1.414% 2032	9,039	0.04	
€15,000,000 Zimmer Biomet 2.425% 2026	13,814	0.07	
'BB' credit rated bonds	1,800,232	8.72	10.82
€5,000,000 Adient Global Holdings 3.5% 2024	4,563	0.02	
\$1,600,000 AES 6% 2026	1,289	0.01	
\$5,000,000 AES 7.375% 2021	4,252	0.02	
€5,079,000 Aramark International Finance 3.125% 2025	4,669	0.02	
€20,000,000 Ardagh Packaging Finance 2.75% 2024	18,057	0.09	
€13,900,000 Arkema Var. Rate Perp. (4.75%)	13,321	0.06	
€2,000,000 Arrow Global Finance FRN 2023	1,838	0.01	
€13,000,000 Arrow Global Finance FRN 2025	11,481	0.06	
\$10,000,000 Ashland 4.75% 2022	7,875	0.04	
\$16,000,000 Avis Budget Finance 5.25% 2025	11,984	0.06	
€10,851,000 Axalta Coating System 3.75% 2025	10,078	0.05	
€4,042,000 Axalta Coating System 4.25% 2024	3,802	0.02	
\$482,000 Bank of America Var. Rate Perp. (6.3%)	406	0.00	
\$4,518,000 Bank of America Var. Rate Perp. (8.125%)	3,467	0.02	
£3,000,000 Bank of Scotland Var. Rate Perp. (7.281%)	3,861	0.02	
\$10,000,000 Barry Callebaut Services 5.5% 2023	8,172	0.04	
€14,946,000 Belden 3.375% 2027	13,254	0.06	
€306,000 Belden 5.5% 2023	284	0.00	
\$14,000,000 Caesars Entertainment Resort Properties 8% 2020	10,735	0.05	
€14,600,000 CaixaBank Var. Rate. Perp. (6.75%)	13,676	0.07	
\$6,667,000 Cascades 5.5% 2022	5,168	0.03	
€4,746,000 Catalant Pharma Solutions 4.75% 2024	4,507	0.02	
\$20,000,000 CCO Holdings Capital 5.125% 2027	15,163	0.07	
€15,000,000 Cemex 4.375% 2023	14,015	0.07	
€15,000,000 Cemex 4.75% 2022	13,670	0.07	
\$4,545,000 Cemex 5.7% 2025	3,609	0.02	
\$16,000,000 Cemex 5.7% 2025 144A	12,732	0.06	
\$12,000,000 Cemex 6.125% 2025	9,639	0.05	
€15,000,000 Cemex Finance 4.625% 2024	14,368	0.07	

Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
'BB' credit rated bonds (continued)			
\$4,667,000 Centene 6.125% 2024	3,755	0.02	
\$6,000,000 CenturyLink 7.6% 2039	3,959	0.02	
\$6,000,000 Cetene 4.75% 2025	4,650	0.02	
\$5,000,000 Cheniere Corpus Christi 5.875% 2025	3,998	0.02	
\$4,000,000 Churchill Downs 5.375% 2021	3,079	0.01	
\$5,000,000 Citigroup Var. Rate Perp. (5.95%)	4,005	0.02	
€3,871,000 Colfax 3.25% 2025	3,527	0.02	
€3,000,000 Credit Agricole Var. Rate Perp. (6.5%)	2,945	0.01	
\$12,000,000 Credit Agricole Var. Rate Perp. (7.875%)	10,021	0.05	
\$3,000,000 Credit Suisse Var. Rate Perp. (6.25%)	2,381	0.01	
\$3,000,000 Credit Suisse Var. Rate Perp. (7.125%)	2,416	0.01	
€5,000,000 Crown European Holdings 2.625% 2024	4,508	0.02	
€9,400,000 Crown European Holdings 3.375% 2025	8,724	0.04	
\$7,895,000 CSC Holdings 5.5% 2047	6,137	0.03	
£24,335,060 Delamare Finance 5.5457% 2029	26,692	0.13	
€7,590,000 DEMIRE Deutsche Mittelstand 2.875% 2022	6,818	0.03	
€6,627,000 Drax Finco FRN 2022	6,765	0.03	
€1,500,000 Dufry Finance 4.5% 2022	1,371	0.01	
€4,708,000 Dufry Finance 4.5% 2023	4,417	0.02	
\$4,750,000 Enel Var. Rate 2073 (8.75%)	4,280	0.02	
€4,000,000 Enel Var. Rate 2074 (6.5%)	3,784	0.02	
€9,000,000 Enel Var. Rate 2075 (7.75%)	10,261	0.05	
€2,500,000 Enel Var. Rate 2076 (6.625%)	2,820	0.01	
\$10,000,000 Energy Transfer Partners FRN 2066	6,734	0.03	
€11,884,000 Enterprise Inns 6% 2023	12,857	0.06	
€17,500,000 Enterprise Inns 6.375% 2031	19,393	0.09	
€6,680,000 Enterprise Inns 6.875% 2021	7,376	0.04	
€4,500,000 Enterprise Inns 6.875% 2025	4,974	0.02	
\$2,000,000 Gannett 4.875% 2021	1,530	0.01	
\$2,000,000 Gannett 5.5% 2024	1,575	0.01	
€14,600,000 Gas Natural Fenosa Var. Rate Perp. (4.125%)	13,905	0.07	
\$12,500,000 Goodyear Tire & Rubber 5.0% 2026	9,718	0.05	
\$2,308,000 Goodyear Tire & Rubber 5.125% 2023	1,795	0.01	
€4,516,000 Grupo Antolin 3.25% 2024	4,091	0.02	
\$13,298,000 Grupo Kuo SAB de 5.75% 2027	10,444	0.05	
\$3,400,000 Grupo Unicomer 7.875% 2024	2,753	0.01	
\$4,350,000 Guatemala (Republic of) 4.375% 2027	3,204	0.02	
\$2,500,000 Hanesbrands 4.875% 2026	1,944	0.01	
\$6,667,000 Hilton Worldwide Finance 4.625% 2025	5,134	0.02	
\$5,000,000 ING Group 6% Perp.	3,841	0.02	
€3,859,000 International Game Technology 4.125% 2020	3,647	0.02	
\$8,000,000 International Game Technology 6.25% 2022	6,605	0.03	
\$5,000,000 Intesa Sanpaolo 5.017% 2024	3,783	0.02	
€15,000,000 Intesa Sanpaolo 6.625% 2023	16,430	0.08	
€5,857,000 Intrum Justitia 3.125% 2024	5,219	0.03	
€2,000,000 Iron Mountain 6.125% 2022	2,088	0.01	
€6,329,000 Jaguar Land Rover 2.26% 2024	5,630	0.03	
€9,000,000 KBC Groep 5.625% Perp.	8,225	0.04	
€7,500,000 KPN Var. Rate 2073 (6.875%)	8,303	0.04	
\$10,000,000 KPN Var. Rate 2073 (7%)	8,448	0.04	
€10,607,000 Lincoln Finance 6.875% 2021	9,924	0.05	
\$8,000,000 Lloyds Bank Var. Rate 2024 (12%)	8,080	0.04	
€25,000,000 Lloyds Bank Var. Rate Perp. (6.375%)	23,662	0.11	

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Portfolio statement (continued)			
as at 30 September	2017	2017	2016
Holding	£'000	%	%
'BB' credit rated bonds (continued)			
£40,000,000 Lloyds Bank Var. Rate Perp. (7%)	41,550	0.20	
£36,000,000 Lloyds Bank Var. Rate Perp. (7.625%)	40,281	0.20	
£37,676,000 Lloyds Bank Var. Rate Perp. (7.875%)	45,045	0.22	
€3,365,000 Louvre Bidco SAS 4.25% 2024	2,989	0.01	
€1,500,000 Ludgate Funding FRN 2061	1,111	0.01	
€1,057,803 Magellan Mortgages No.4 FRN 2059	823	0.00	
\$4,666,000 Methanex 4.25% 2024	3,446	0.02	
€4,551,000 Nassa Topco 2.875% 2024	4,049	0.02	
£7,000,000 National Westminster Bank 6.5% 2021	8,174	0.04	
£30,000,000 Nationwide Building Society Var. Rate Perp. (6.875%)	31,059	0.15	
\$5,750,000 Neptune Finco 6.625% 2025	4,704	0.02	
€11,302,000 Nomad Foods 3.25% 2024	10,237	0.05	
€9,487,000 OI European Group 3.125% 2024	8,633	0.04	
\$3,888,000 Owens Brockway 5% 2022 144A	3,076	0.01	
\$2,000,000 Paraguay (Republic of) 4.625% 2023	1,575	0.01	
\$6,364,000 Paraguay (Republic of) 6.1% 2044	5,329	0.03	
\$10,000,000 Petrobras Global Finance 6% 2028	7,428	0.04	
\$10,000,000 Petrobras Global Finance 7.375% 2027	8,177	0.04	
\$1,000,000 Pilgrims Pride 5.75% 2025	769	0.00	
€10,000,000 Progroup FRN 2024	8,883	0.04	
€25,000,000 QuintilesIMS 3.25% 2025	22,418	0.11	
\$19,900,000 Royal Bank of Scotland 5.125% 2024	15,793	0.08	
\$35,294,000 Royal Bank of Scotland 6.1% 2023	29,095	0.14	
\$21,000,000 Royal Bank of Scotland 6.125% 2022	17,309	0.08	
€14,286,000 Royal Bank of Scotland Var. Rate 2024 (3.625%)	13,054	0.06	
€11,963,000 Schaeffler Verwaltung Zwei 2.75% Pk 2021	10,842	0.05	
\$3,000,000 Service Corporation International 5.375% 2024	2,382	0.01	
\$1,091,000 Shea Homes Funding 6.125% 2025	842	0.00	
€13,822,000 Silgan Holdings 3.25% 2025	12,508	0.06	
\$11,868,000 Sirius XM Holdings 5% 2027	9,070	0.04	
\$2,000,000 Sirius XM Radio 6% 2024	1,610	0.01	
€4,951,000 Smurfit Kappa Acquisitions 2.375% 2024	4,545	0.02	
€5,993,000 Smurfit Kappa Acquisitions 2.75% 2025	5,515	0.03	
\$1,789,000 Société Générale Var. Rate Perp. (7.875%) (Listing Germany)	1,481	0.01	
\$20,461,000 Société Générale Var. Rate Perp. (7.875%) (Listing Luxembourg)	16,941	0.08	
€3,750,000 Société Générale Var. Rate Perp. (8.875%)	3,924	0.02	
€2,500,000 Solvay Finance Var. Rate Perp. (4.199%)	2,323	0.01	
€10,000,000 Solvay Finance Var. Rate Perp. (5.118%)	9,920	0.05	
€12,000,000 Solvay Finance Var. Rate Perp. (5.425%)	12,357	0.06	
€10,000,000 Solvay Finance Var. Rate Perp. (5.869%)	10,489	0.05	
£5,300,000 Southern Water (Greensands) Financing 8.5% 2019	5,865	0.03	
£4,186,000 Spirit Issuer FRN 2031	4,019	0.02	

Portfolio statement (continued)

as at 30 September	2017	2017	2016
Holding	£'000	%	%
'BB' credit rated bonds (continued)			
\$5,000,000 Standard Chartered Var. Rate. Perp (Standard Chartered) (6.5%)	3,801	0.02	
€4,763,000 Stora Enso 2.5% 2027	4,202	0.02	
\$13,000,000 Stora Enso 7.25% 2036	11,641	0.06	
€4,795,000 TA Manufacturing 3.625% 2023	4,359	0.02	
€31,000,000 Telecom Italia 5.25% 2055	31,775	0.15	
\$2,500,000 Telecom Italia 5.303% 2024	2,024	0.01	
€18,800,000 Telefonica (Europe) 4.2% perp.	17,568	0.08	
€5,000,000 Telefonica (Europe) 5% perp.	4,757	0.02	
€20,000,000 Telefonica (Europe) 5.875% perp.	20,355	0.10	
€14,300,000 Telefonica (Europe) 6.75% perp.	15,828	0.08	
\$5,000,000 Tenet Healthcare 4.375% 2021	3,773	0.02	
\$2,500,000 Tenet Healthcare 4.5% 2021	1,900	0.01	
\$2,000,000 Tenet Healthcare 4.75% 2020	1,537	0.01	
\$10,000,000 Tenet Healthcare 6% 2020	7,949	0.04	
€2,000,000 Tesco 5.125% 2047	1,935	0.01	
€3,300,000 Tesco 5.2% 2057	3,230	0.02	
€9,125,293 Tesco Property Finance 2 6.0517% 2039	10,409	0.05	
€29,290,459 Tesco Property Finance 3 5.744% 2040	32,666	0.16	
€47,145,596 Tesco Property Finance 4 5.8006% 2040	52,802	0.26	
€26,639,500 Tesco Property Finance 5 5.6611% 2041	29,334	0.14	
€22,508,673 Tesco Property Finance 6 5.411% 2044	24,378	0.12	
\$3,333,000 T-Mobile USA 5.125% 2025	2,592	0.01	
\$5,000,000 T-Mobile USA 6% 2024	3,963	0.02	
\$6,000,000 T-Mobile USA 6.375% 2025	4,801	0.02	
€25,000,000 UBS Var. Rate Perp. (5.75%)	24,712	0.12	
\$30,000,000 UBS Var. Rate Perp. (7.125%)	23,760	0.12	
\$8,000,000 United Rentals North America 5.5% 2025	6,402	0.03	
€36,292,000 Unitymedia 3.5% 2027	33,094	0.16	
€50,833,000 Unitymedia 4% 2025	47,504	0.23	
€1,000,000 Unitymedia 4.625% 2026	958	0.00	
\$11,251,000 Unitymedia 5% 2025	8,817	0.04	
€10,935,000 Unitymedia 5.125% 2023	10,022	0.05	
\$10,800,000 Unitymedia 5.5% 2023	8,297	0.04	
€15,588,207 Unitymedia 5.75% 2023	14,352	0.07	
€44,000,000 Unitymedia 6.25% 2029	43,918	0.21	
€30,000,000 Veolia Environnement Var. Rate Perp. (4.85%)	30,509	0.15	
\$13,333,000 VideoTron 5.375% 2024	10,809	0.05	
€35,000,000 Virgin Media Secured Finance 4.875% 2027	36,028	0.17	
£7,500,000 Virgin Media Secured Finance 5% 2027	7,715	0.04	
£18,000,000 Virgin Media Secured Finance 5.125% 2025	18,894	0.09	
£32,940,000 Virgin Media Secured Finance 5.5% 2025	34,537	0.17	
\$30,000,000 Virgin Media Secured Finance 5.5% 2025	23,422	0.11	
€30,248,000 Virgin Media Secured Finance 6.25% 2029	32,723	0.16	
€20,000,000 Wind Acquisition Finance 4% 2020	17,825	0.09	
€7,000,000 Wind Acquisition Finance FRN 2020 (3.668%)	6,183	0.03	
\$6,667,000 Wynn Las Vegas 5.25% 2027	5,039	0.02	
€5,200,000 ZF North American Capital 2.75% 2023	4,947	0.02	
\$8,000,000 ZF North American Capital 4.75% 2025	6,309	0.03	
€4,000,000 Ziggo Secured Finance 3.75% 2025	3,677	0.02	

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Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
'B' credit rated bonds	509,430	2.47	5.29
\$7,000,000 1011778 BC ULC / New Red Finance 5% 2025	5,317	0.03	
\$5,333,000 1011778 BC ULC / New Red Finance 6% 2022	4,111	0.02	
£11,859,000 AMC Entertainment Holdings 6.375% 2024	11,952	0.06	
£4,784,000 Ardagh Packaging Finance 4.75% 2027	4,812	0.02	
€25,000,000 Argentina (Republic of) 5% 2027	21,786	0.11	
£2,992,000 Aston Martin Capital 5.75% 2022	3,180	0.02	
€3,067,000 Banijay Group 4% 2022	2,828	0.01	
£13,114,000 Barclays Bank Var. Rate Perp. (5.875%)	12,932	0.06	
€2,710,800 Bisoho SAS 5.875% 2023	2,593	0.01	
\$5,000,000 Bombardier 6% 2022	3,576	0.02	
€14,000,000 Bombardier 6.125% 2021	12,913	0.06	
€5,000,000 Buenos Aires (Province of) 5.375% 2023	4,545	0.02	
\$11,310,000 Buenos Aires (Province of) 7.875% 2027	9,143	0.05	
€8,389,000 Burger King France 6% 2024	7,967	0.04	
£3,500,000 Cabot Financial Luxembourg 6.5% 2021	3,609	0.02	
£10,267,000 Cabot Financial Luxembourg 7.5% 2023	11,161	0.06	
£5,000,000 Cabot Financial Luxembourg 8.375% 2019	5,213	0.03	
€5,000,000 Cabot Financial Luxembourg FRN 2021	4,601	0.02	
€3,119,000 Carlson Travel FRN 2023	2,740	0.01	
€10,000,000 CMF 9% 2022	8,664	0.04	
£2,178,000 Cognita Financing 7.75% 2021	2,259	0.01	
\$6,500,000 Community Health Systems 5.125% 2021	4,766	0.02	
£7,317,000 CPUK Finance 4.25% 2047	7,436	0.04	
\$3,500,000 Crown Americas 4.25% 2026	2,635	0.01	
\$5,000,000 Davita Healthcare 5.125% 2024	3,743	0.02	
€4,367,000 Diamond (BC) 5.625% 2025	3,910	0.02	
€2,857,000 eircom Finance 4.25% 2022	2,622	0.01	
\$4,000,000 HCA 7.75% 2022	3,427	0.02	
£5,000,000 House of Fraser Funding FRN 2020	4,516	0.02	
€7,177,000 HP Pelzer 4.125% 2024	6,521	0.03	
£5,000,000 Intergen 7.5% 2021	4,913	0.02	
€30,000,000 Intesa Sanpaolo Var. Rate Perp. (6.25%)	27,331	0.13	
€15,000,000 Intesa Sanpaolo Var. Rate Perp. (7%)	14,121	0.07	
€9,332,000 Intesa Sanpaolo Var. Rate Perp. (7.75%)	9,414	0.05	
\$2,273,000 Kenya (Republic of) 6.875% 2024	1,736	0.01	
\$9,333,000 Kindred Healthcare 8% 2020	6,826	0.03	
\$16,667,000 Kindred Healthcare 8.75% 2023	11,558	0.06	
€28,000,000 Matterhorn Telecom 3.875% 2022	25,485	0.12	
\$5,164,000 Neptune Finco 10.875% 2025	4,763	0.02	
€9,102,000 Numericable Group 5.375% 2022	8,384	0.04	
€23,000,000 Numericable Group 5.625% 2024	21,932	0.11	
\$30,000,000 Numericable Group 6% 2022	23,339	0.11	
\$5,000,000 Numericable Group 6.25% 2024	3,923	0.02	
€13,261,000 Nuovo Trasporto Viaggiatori FRN 2023	11,944	0.06	
\$5,000,000 Reynolds Group 5.75% 2020	3,793	0.02	
€7,000,000 Royal Bank of Scotland 5.5% Perp.	6,259	0.03	

Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
'B' credit rated bonds (continued)			
\$5,357,000 Royal Bank of Scotland Var. Rate Perp (7.5%)	4,194	0.02	
\$5,600,000 Royal Bank of Scotland Var. Rate Perp (8%)	4,630	0.02	
\$8,000,000 Royal Bank of Scotland Var. Rate Perp. (8.625%)	6,611	0.03	
€1,998,000 Schmolz+Bickenbach 5.625% 2022	1,871	0.01	
€2,360,000 Schumann 7% 2023	2,079	0.01	
£5,161,000 Stonegate Pub Company 4.875% 2022	5,208	0.03	
€1,000,000 Veritas 7.5% 2023	936	0.00	
€7,500,000 Virgin Media Finance 4.5% 2025	6,915	0.03	
€21,000,000 Virgin Media Finance 5.125% 2022	20,943	0.10	
£8,500,000 Virgin Media Secured Finance 6.375% 2024	9,158	0.05	
€8,000,000 VRX Escrow 4.5% 2023	6,025	0.03	
\$14,026,000 VTR Finance 6.875% 2024	11,065	0.05	
€40,000,000 Wind Acquisition Finance 7% 2021	36,701	0.18	
\$5,000,000 Windstream 6.375% 2023	2,612	0.01	
\$7,330,000 Windstream 7.5% 2023	3,852	0.02	
\$1,000,000 Windstream 7.75% 2020	582	0.00	
\$8,500,000 WPX Energy 5.25% 2024	6,350	0.03	
\$8,000,000 Yum! Brands 6.875% 2037	6,501	0.03	
\$2,571,000 Ziggo Bond Finance 5.875% 2025	1,998	0.01	
'CCC' credit rated bonds	21,799	0.11	0.22
\$5,000,000 Calumet Specialty Products 6.5% 2021	3,626	0.02	
\$2,823,000 Carlson Travel 9.5 2024	2,012	0.01	
\$1,500,000 Community Health Systems 6.875% 2022	873	0.00	
\$10,000,000 Crimson Merger 6.625% 2022	7,322	0.04	
\$3,000,000 Denbury Resources 4.625% 2023	1,208	0.01	
\$5,000,000 Denbury Resources 5.5% 2022	2,181	0.01	
£4,500,000 Eilii Finance UK 8.75% 2019	4,577	0.02	
Bonds with no credit rating	1,044,556	5.06	4.34
\$2,000,000 1011778 BC ULC / New Red Finance 5% 2025	1,517	0.01	
\$2,479,410 AASET Trust 2017-1 3.967% 2042	1,867	0.01	
€10,000,000 ABN Amro Bank Var. Rate Perp. (4.75%)	8,800	0.04	
€7,500,000 ALME Loan Funding II FRN 2033	6,660	0.03	
€20,000,000 Altea 2.25% 2024	17,672	0.09	
€3,920,000 Anglo American Capital 1.625% 2025	3,442	0.02	
\$5,715,000 Aquarius Plus Investments 8.25% IL Perp.	4,474	0.02	
€6,208,000 Arbour Clo FRN 2030	5,521	0.03	
€4,500,000 Assicurazioni Generali 4.125% 2026	4,457	0.02	
€4,000,000 Assicurazioni Generali Var. Rate 2042 (7.75%)	4,416	0.02	
€20,000,000 Assicurazioni Generali Var. Rate 2047 (5.5%)	20,427	0.10	
£18,750,000 Assicurazioni Generali Var. Rate Perp. (6.269%)	20,289	0.10	
€4,762,000 ATON 3.875% 2018	4,253	0.02	
€7,175,000 Avoca Clo Xiii DAC FRN 2030	6,333	0.03	
€20,000,000 Banco Bilbao Vizcaya Argentaria Var. Rate Perp. (7%)	18,386	0.09	
€28,000,000 Banco Sabadell Var. Rate Perp. (6.5%)	25,087	0.12	
€18,000,000 Banco Santander 5.25% Perp.	15,881	0.08	
€20,000,000 Banco Santander 6.75% Perp.	19,417	0.09	
€20,000,000 Banco Santander Var. Rate Perp. (6.25%)	18,151	0.09	
\$5,000,000 Banco Santander Var. Rate Perp. (6.375%)	3,792	0.02	
€10,000,000 Barings CLO Ltd. 2017-I FRN 2030	8,818	0.04	
€23,000,000 BBVA Var. Rate Perp. (6.75%)	21,357	0.10	
£500,000 Birmingham Airport 6.25% 2021	572	0.00	

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Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
Bonds with no credit rating (continued)			
€2,900,000 Brisa Concessão Rodoviária 2.375% 2027	2,672	0.01	
£2,000,000 British Land 0% 2020 (British Land)	1,926	0.01	
£550,000 British Land 5.264% 2035	685	0.00	
£1,800,000 British Land 5.357% 2028	2,167	0.01	
£12,331,000 BUPA Finance 5% 2026	13,924	0.07	
€4,500,000 Bureau Veritas 1.125% 2023	4,025	0.02	
£20,000,000 Canadian Imperial Bank of Commerce FRN 2022	20,128	0.10	
£1,000,000 Cheltenham & Gloucester 11.75% Perp.	1,992	0.01	
€41,519,167 Codere 8.25% 2015	12,790	0.06	
€8,625,000 Cote d'Ivoire 5.125% 2025	7,863	0.04	
£10,000,000 Credit Agricole Var. Rate Perp. (7.5%)	11,423	0.06	
€854,572 Deco 14 Gondola FRN 2026	755	0.00	
£930,000 Delamare Finance 6.067% 2029	983	0.01	
£5,504,370 Duncan Funding FRN 2063	5,541	0.03	
£20,000,000 Eirles Two FRN 2020	0	0.00	
€8,937,000 Eurofins Scientific 2.125% 2024	7,964	0.04	
€4,000,000 Eurofins Scientific 4.875% Perp.	3,795	0.02	
£10,000,000 European Investment Bank 1.125% 2021	10,062	0.05	
£4,452,144 Feldspar 2016-1 FRN 2045	4,476	0.02	
£7,875,000 Finsbury Square FRN 2065	7,884	0.04	
£5,886,833 Finsbury Square Mortgage FRN 2059	5,894	0.03	
£671,688 Gemgarto 2015-1 FRN 2047	673	0.00	
£15,000,000 Gosforth Funding FRN 2056	15,077	0.07	
£14,846,000 Gosforth Funding FRN 2059	14,866	0.07	
€18,900,000 Groupe Bruxelles Lambert 1.375% 2024	16,809	0.08	
€15,000,000 Hammerson 1.75% 2023	13,772	0.07	
€25,000,000 Hammerson 2% 2022	23,315	0.11	
£6,000,000 Hammerson 3.5% 2025	6,352	0.03	
£500,000 Hammerson 6% 2026	619	0.00	
£2,449,000 Heathrow Finance 3.875% 2027	2,403	0.01	
£9,000,000 Heathrow Finance 5.75% 2025	10,171	0.05	
£2,000,100 Holmes Master Issuer FRN 2054 12-3 B2	2,001	0.01	
\$3,770,665 Home Partners of America Trust HPA 2016 2 A 144A	2,817	0.01	
€14,850,000 HSBC Holdings 4.75% Perp.	13,406	0.06	
€25,000,000 HSBC Holdings Var. Rate Perp. (5.25%)	23,749	0.12	
\$11,865,000 HSBC Holdings Var. Rate Perp. (6%)	9,275	0.05	
€7,000,000 Intesa Sanpaolo Var. Rate Perp. (4.75%)	6,717	0.03	
£12,000,000 John Lewis 6.125% 2025	14,401	0.07	
€10,000,000 Jubilee CLO 2014-XII Var. Rate 2030	8,827	0.04	
\$914,992 K2016470219 South Africa 3% 2022	27	0.00	
ZAR12,405,918 K2016470219 South Africa 13.375% 2019	0	0.00	
€7,900,000 Lagardère 1.625% 2024	6,920	0.03	
£7,453,000 LaSer ABS FRN 2030	7,475	0.04	
€24,000,000 Leeds Building Society 0.5% 2024	21,026	0.10	
£7,744,000 Lend Lease Europe 6.125% 2021	8,957	0.04	
£10,000,000 Liquid Telecom Finance 8.5% 2022	7,859	0.04	
£50,000,000 Lloyds Bank 5.125% 2025	61,939	0.30	
£10,000,000 London Wall Mortgage Capital FRN 2049	10,000	0.05	
€3,794,000 MAHLE 2.375% 2022	3,576	0.02	

Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
Bonds with no credit rating (continued)			
£3,478,000 Midland Heart Capital 5.087% 2044	4,645	0.02	
€6,567,000 Oak Hill FRN 2030	5,836	0.03	
£19,693,292 Oat Hill No1 FRN 2046	19,588	0.09	
£13,755,000 Old Mutual 7.875% 2025	16,294	0.08	
£27,200,000 Old Mutual 8% 2021	31,173	0.15	
£2,132,519 Orbita Funding FRN 2023	2,141	0.01	
£4,587,000 PCL Funding II FRN 2022	4,590	0.02	
\$6,667,000 Perusahaan Listrik Negara 4.125% 2027	4,982	0.02	
\$4,959,395 Progress Residential Trust FRN 2033	3,762	0.02	
€5,000,000 Rabobank Var. Rate Perp. (6.625%)	4,973	0.02	
£17,145,000 Royal Bank of Scotland FRN 2020	17,200	0.08	
€4,849,000 SELP Finance 1.25% 2023	4,254	0.02	
\$2,000,000 Seventy Seven Energy 6.5% 2022	0	0.00	
£4,629,000 Skipton Building Society 1.75% 2022	4,585	0.02	
\$10,000,000 Société Générale Var. Rate Perp. (6%)	7,518	0.04	
€10,000,000 Société Générale Var. Rate Perp. (6.75%)	9,721	0.05	
\$2,311,707 SoFi Consumer Loan 3.05% 2025	1,745	0.01	
\$2,269,541 SoFi Consumer Loan 3.09% 2025	1,713	0.01	
€3,400,000 Suez Environnement Var. Rate Perp. (2.875%)	3,083	0.02	
€520,063 TDA-14 Mixto FRN 2030	458	0.00	
€565,230 TDA-18 Mixto FRN 2045	495	0.00	
£6,235,000 Together Asset Backed Securitisation FRN 2049	6,241	0.03	
€10,000,000 Unicredit Var. Rate Perp. (6.75%)	9,202	0.04	
€20,000,000 Unicredit Var. Rate Perp. (6.625%)	18,341	0.09	
€6,400,000 Vilmorin & Cie 2.375% 2021	5,904	0.03	
£70,000,000 Vodafone Group 3% 2056	58,946	0.29	
£50,000,000 Vodafone Group 3.375% 2049	45,404	0.22	
£8,000,000 Westfield Stratford FRN 2024	7,962	0.04	
£3,500,000 Wm Morrison Supermarkets 3.5% 2026	3,724	0.02	
£15,000,000 Wm Morrison Supermarkets 4.625% 2023	17,001	0.08	
£25,000,000 Wm Morrison Supermarkets 4.75% 2029	28,864	0.14	
£5,050,000 Yorkshire Building Society 3.5% 2026	5,368	0.03	
£7,000,000 Yorkshire Building Society Var. Rate 2024 (4.125%)	7,276	0.04	
Credit default swaps			
€(10,000,000) BNP Paribas Dec 2021	63	0.00	
€3,000,000 Daimler Jun 2018	(13)	0.00	
€15,000,000 EDF Dec 2021	(346)	0.00	
€10,000,000 EDF Jun 2022	(227)	0.00	
€(5,000,000) Heathrow Funding Dec 2022	84	0.00	
\$(200,000,000) Italy (Republic of) Jun 2021	(613)	0.00	
\$(50,000,000) Italy (Republic of) Jun 2022	(492)	0.00	
€5,000,000 Louis Dreyfus Dec 2021	(590)	0.00	
\$(200,000,000) Markit CDX North American Investment Grade Series 29 10 Year Dec 2027	(218)	0.00	
€(1,500,000,000) Markit iTraxx Europe Series 27 10 Year Jun 2027	10,680	0.00	
€(100,000,000) Markit iTraxx Europe Series 27 5 Year Jun 2022	712	0.00	
€(100,000,000) Markit iTraxx Europe Series 28 10 Year Dec 2027	126	0.00	
€(150,000,000) Markit iTraxx Europe Snr Fin Series 26 5 Year Dec 2021	3,278	0.02	
€(331,250,000) Markit iTraxx Europe Sub Fin Series 26 5 Year Dec 2021	622	0.04	

M&G Optimal Income Fund

Authorised Corporate Director's Report

Investments

Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
Credit default swaps (continued)			
€(300,000,000) Markit iTraxx Europe Sub Fin Series 27 5 Year Jun 2022	(786)	0.00	
€(100,000,000) Markit iTraxx Europe Sub Fin Series 28 5 Year Dec 2022	(1,658)	(0.01)	
€10,000,000 Marks and Spencer Dec 2021	29	0.00	
€2,000,000 Mediobanca Jun 2018	(3)	0.00	
€30,000,000 RWE Jun 2020	(597)	0.00	
€(10,000,000) Telecom Italia Dec 2021	2	0.00	
Forward currency contracts	298,841	1.45	(0.78)
€(9,501,283,211) Sold for £8,570,048,642 (expires 18.10.17)	181,145	0.88	
¥(15,037,702,360) Sold for £99,786,079 (expires 18.10.17)	(161)	0.00	
CHF4,463,864 Bought for £3,413,193 (expires 18.10.17)	31	0.00	
CHF(114,375,287) Sold for £88,051,177 (expires 18.10.17)	(190)	0.00	
\$160,377,106 Bought for £118,696,262 (expires 18.10.17)	1,072	0.00	
\$(2,573,061,153) Sold for £1,966,487,436 (expires 18.10.17)	44,944	0.22	
\$(3,281,681,083) Sold for £2,540,564,376 (expires 15.11.17)	91,837	0.45	
\$(2,194,007,167) Sold for £1,615,943,040 (expires 13.12.17)	(19,837)	(0.10)	
Interest rate futures contracts	48,646	0.23	0.03
(108) 10 Year Japan Government Bond Dec 2017	470	0.00	
(3,000) Euro Bobl Dec 2017	(36)	0.00	
(3,900) Euro Bund Dec 2017	1,136	0.00	
(811) Euro Buxl Dec 2017	1,307	0.01	
(4,000) Euro Schatz Dec 2017	(124)	0.00	
(13,617) UK Long Gilt Bond Dec 2017	41,265	0.20	
(3,050) US Ultra Long Treasury Bond Dec 2017	4,628	0.02	
Interest rate swaps	21,410	0.10	(1.08)
£70,000,000 Pay 1.117% Receive VAR Apr 2067	8,385	0.04	
£50,000,000 Pay 1.237% Receive VAR Apr 2067	4,829	0.02	
£50,000,000 Pay 1.242% Receive VAR Apr 2067	4,725	0.02	
£50,000,000 Pay 1.454% Receive VAR May 2047	2,002	0.01	
£90,000,000 Pay 1.457% Receive VAR Feb 2047	3,754	0.02	
£50,000,000 Pay 1.4735% Receive VAR May 2047	1,770	0.01	
£50,000,000 Pay 1.478% Receive VAR Mar 2047	1,852	0.01	
£100,000,000 Pay 1.5075% Receive VAR Jan 2047	2,879	0.01	
£80,000,000 Pay 1.515% Receive VAR Feb 2047	2,239	0.01	
£50,000,000 Pay 1.524% Receive VAR Jan 2047	1,245	0.01	
£100,000,000 Pay 1.5325% Receive VAR Mar 2047	2,520	0.01	
£100,000,000 Pay 1.537% Receive VAR Jan 2047	2,193	0.01	
£50,000,000 Pay 1.5425% Receive VAR Mar 2047	1,115	0.01	
£50,000,000 Pay 1.569% Receive VAR Feb 2046	823	0.00	
£50,000,000 Pay 1.606% Receive VAR Dec 2046	282	0.00	
£25,000,000 Pay 1.6105% Receive VAR Feb 2046	144	0.00	
£25,000,000 Pay 1.613% Receive VAR Feb 2046	130	0.00	
£50,000,000 Pay 1.6325% Receive VAR Jul 2047	(55)	0.00	
£50,000,000 Pay 1.638% Receive VAR Sep 2047	(13)	0.00	
£50,000,000 Pay 1.659% Receive VAR Mar 2046	(227)	0.00	
£50,000,000 Pay 1.686% Receive VAR Apr 2046	(769)	0.00	
£50,000,000 Pay 1.696% Receive VAR Apr 2046	(886)	0.00	
£25,000,000 Pay 1.697% Receive VAR Feb 2046	(352)	0.00	

Portfolio statement (continued)

as at 30 September Holding	2017 £'000	2017 %	2016 %
Interest rate swaps (continued)			
£50,000,000 Pay 1.715% Receive VAR Mar 2046	(857)	0.00	
£50,000,000 Pay 1.72% Receive VAR Mar 2046	(915)	0.00	
\$25,000,000 Pay 1.833% Receive VAR Sep 2046	2,815	0.01	
\$50,000,000 Pay 1.927% Receive VAR Oct 2046	4,662	0.02	
\$50,000,000 Pay 2.401% Receive VAR Nov 2046	808	(0.01)	
\$50,000,000 Pay 2.4495% Receive VAR Apr 2047	383	0.00	
\$100,000,000 Pay 2.452% Receive VAR May 2047	800	0.00	
\$50,000,000 Pay 2.4665% Receive VAR Apr 2047	243	0.00	
\$100,000,000 Pay 2.5475% Receive VAR Feb 2047	(344)	0.00	
\$200,000,000 Pay 2.569% Receive VAR Jan 2047	(1,476)	0.00	
\$150,000,000 Pay 2.628% Receive VAR Feb 2047	(2,522)	(0.01)	
\$200,000,000 Pay 2.668% Receive VAR Feb 2047	(4,666)	(0.03)	
\$50,000,000 Pay 2.668% Receive VAR Jan 2047	(1,169)	0.00	
\$200,000,000 Pay 2.716% Receive VAR Jan 2047	(7,453)	(0.04)	
\$200,000,000 Pay 2.717% Receive VAR Jan 2047	(7,484)	(0.03)	
Portfolio of investments	20,130,194	97.54	94.98
'AAA' rated money market funds ^[b]	245,355	1.19	1.84
245,355,000 Northern Trust Global Fund - Sterling	245,355	1.19	
Forward currency contracts for share class hedging	(379,439)	(1.84)	0.86
€1,511,782,960 Bought for £1,388,047,825 (expires 04.10.17)	(53,634)	(0.26)	
€2,709,626,123 Bought for £2,462,787,312 (expires 12.10.17)	(70,694)	(0.34)	
€9,574,113,950 Bought for £8,638,684,276 (expires 18.10.17)	(185,477)	(0.90)	
€2,929,664,452 Bought for £2,578,895,727 (expires 25.10.17)	8,149	0.04	
€(4,711,674) Sold for £4,284,924 (expires 12.10.17)	126	0.00	
€(232,169,133) Sold for £206,686,846 (expires 18.10.17)	1,699	0.01	
€(132,903,262) Sold for £117,174,693 (expires 25.10.17)	(186)	0.00	
SGD73,823,557 Bought for £41,220,639 (expires 19.10.17)	(598)	0.00	
SGD(3,100,315) Sold for £1,712,757 (expires 19.10.17)	7	0.00	
CHF245,054,285 Bought for £192,349,855 (expires 18.10.17)	(3,289)	(0.02)	
CHF(16,782,930) Sold for £12,948,220 (expires 18.10.17)	0	0.00	
\$2,783,998,867 Bought for £2,153,003,609 (expires 15.11.17)	(75,637)	(0.37)	
\$(13,175,050) Sold for £9,926,005 (expires 15.11.17)	95	0.00	
Total portfolio (notes 2c & 2d on page 27 and 28)	19,996,110	96.89	97.68
Net other assets / (liabilities)	640,913	3.11	2.32
Net assets attributable to shareholders	20,637,023	100.00	100.00

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

[a] Suspended.

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

M&G Optimal Income Fund

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.

The following chart and tables show the performance for two of the fund's share classes – Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.

We show performance for these two share classes because:

- The performance of the Sterling Class 'A' (Accumulation) share is what most individuals investing directly with M&G have received. It has the highest ongoing charge of all the sterling share classes. Performance is shown after deduction of this charge. All UK investors in the fund therefore received this performance or better.
- The performance of the Sterling Class 'I' (Accumulation) share is the most appropriate to compare with the average performance of the fund's comparative sector. It is the share class used by the Investment Association in the calculation of the comparative sector's average performance. This share class is available for direct investment with M&G subject to minimum investment criteria, or via third parties who may charge additional fees. The performance shown takes the deduction of the ongoing charge for this share class into account but it does not take account of charges applied by any other party through which you may have invested.

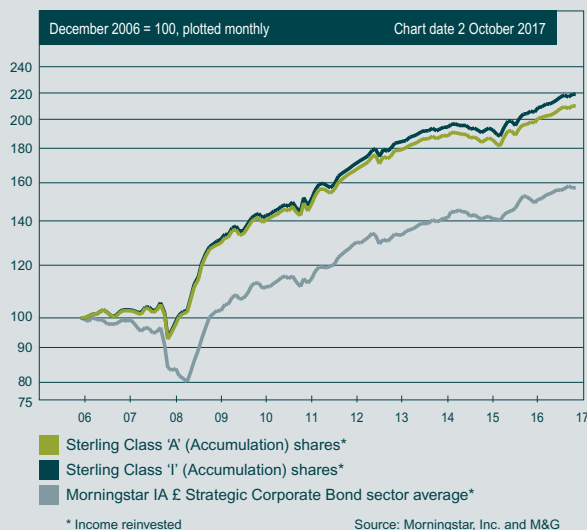
The fund is available for investment in different share classes, each with varying levels of charges and minimum investments; please refer to the Prospectus for M&G Optimal Income Fund, which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Fund level performance

Fund net asset value			
as at 30 September	2017 £'000	2016 £'000	2015 £'000
Fund net asset value (NAV)	20,637,023	15,426,945	18,235,013

Performance since launch

To give an indication of how the fund has performed since launch, the chart below shows total return of Sterling Class 'A' (Accumulation) shares and Sterling Class 'I' (Accumulation) shares.



M&G Optimal Income Fund

Financial highlights

Fund performance

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.

Long-term performance by share class ^[a]				
	One year 03.10.16 % ^[b]	Three years 02.10.14 % p.a.	Five years 02.10.12 % p.a.	Since launch % p.a.
Euro ^[c]				
Class 'A-H'	+5.5	+3.1	+4.6	+6.9 ^[d]
Class 'B-H'	+5.0	n/a	n/a	+4.3 ^[e]
Class 'C-H'	+6.0	+3.6	+5.1	+7.5 ^[d]
Singapore dollar ^[c]				
Class 'A-H'	+7.1	n/a	n/a	+4.6 ^[f]
Class 'A-H M'	+7.1	n/a	n/a	+4.5 ^[f]
Class 'C-H'	+7.6	n/a	n/a	+5.1 ^[f]
Sterling ^[g]				
Class 'A'	+6.5	+3.8	+5.0	+7.1 ^[h]
Class 'I'	+7.0	+4.2	+5.5	+7.5 ^[h]
Class 'R'	+6.7	+4.0	+5.3	+5.6 ^[f]
Class 'X'	+6.4	+3.6	+4.9	+6.9 ^[h]
Swiss franc ^[c]				
Class 'A-H'	+5.1	+2.5	+4.2	+4.3 ^[i]
Class 'C-H'	+5.6	+3.0	+4.7	+4.8 ^[i]
US dollar ^[c]				
Class 'A-H'	+7.5	+4.1	+5.3	+6.2 ^[k]
Class 'A-H M'	+7.5	n/a	n/a	+4.3 ^[f]
Class 'C-H'	+8.0	+4.6	+5.8	+6.7 ^[k]

^[a] On 2 December 2008 the M&G Optimal Income Fund de-merged from M&G Investment Funds (6) to become the M&G Optimal Income Fund.

^[b] Absolute basis.

^[c] Price to price with gross income reinvested.

^[d] 20 April 2007, the launch date of the share class.

^[e] 11 September 2015, the launch date of the share class.

^[f] 16 January 2015, the launch date of the share class.

^[g] Price to price with income reinvested.

^[h] 8 December 2006, the launch date of the predecessor OEIC sub-fund.

^[i] 3 August 2012, the launch date of the share class.

^[j] 28 September 2012, the launch date of the share class.

^[k] 1 October 2010, the launch date of the share class.

Operating charges and portfolio transaction costs

We explain below the payments made to meet the ongoing costs of investing and managing the fund, comprised of operating charges and portfolio transaction costs.

Operating charges

Operating charges include payments made to M&G and to providers independent of M&G:

- **Investment management:** Charge paid to M&G for investment management of the fund (also known as Annual Management Charge).
- **Administration:** Charge paid to M&G for administration services in addition to investment management – any surplus from this charge will be retained by M&G.
- **Share class hedging:** Charge paid to M&G for currency hedging services to minimise exchange rate risk for the share class.
- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit.

The operating charges paid by each share class of the fund are shown in the following performance tables. Operating 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 the same as the ongoing charges shown in the Key Investor Information Document, other than where 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.

For this fund there is no difference between operating charges and ongoing charges figures, unless disclosed under the specific share class performance table.

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.

M&G Optimal Income Fund

Financial highlights

Fund performance

Operating charges and portfolio transaction costs

Portfolio transaction costs (continued)

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. The table below shows direct portfolio transaction costs paid by the fund before and after that part of the dilution adjustment relating to direct portfolio transaction costs. To give an indication of the indirect portfolio dealing costs the table also shows the average portfolio dealing spread.

Further information on this process is in the Prospectus, which is available free of charge on request either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

Portfolio transaction costs				
for the year to 30 September	2017	2016	2015	Average ^[a]
Direct portfolio transaction costs ^[b]	%	%	%	%
Broker commission	0.01	0.01	0.00	0.00
Taxes	0.00	0.00	0.00	0.00
Costs before dilution adjustments	0.01	0.01	0.00	0.00
Dilution adjustments ^[c]	0.00	(0.01)	0.00	(0.00)
Total direct portfolio transaction costs	0.01	0.00	0.00	0.00
as at 30 September	2017	2016	2015	Average ^[a]
Indirect portfolio transaction costs	%	%	%	%
Average portfolio dealing spread	0.56	0.72	0.67	0.65

^[a] Average of first three columns.

^[b] As a percentage of average net asset value.

^[c] In respect of direct portfolio transaction costs. Please see the section above this table for an explanation of dilution adjustments.

Specific share class performance

The following 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). 'Dilution adjustments' are only in respect of direct portfolio transaction costs.

Euro Class 'A-H' Income share performance

The share class was launched on 12 July 2013.

for the year to 30 September	2017	2016	2015
Change in NAV per share	Euro ¢	Euro ¢	Euro ¢
Opening NAV	1,759.17	1,707.94	1,759.48
Return before operating charges and after direct portfolio transaction costs	113.95	121.87	9.66
Operating charges	(25.53)	(24.75)	(25.29)
Return after operating charges	88.42	97.12	(15.63)
Distributions	(59.28)	(45.89)	(35.91)
Closing NAV	1,788.31	1,759.17	1,707.94
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.11	0.18	0.09
Dilution adjustments ^[a]	(0.02)	(0.12)	(0.01)
Total direct portfolio transaction costs	0.09	0.06	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.42	1.42	1.43
Return after operating charges	+5.03	+5.69	-0.89
Distribution yield ^[c]	2.65	3.46	1.85
Effect on yield of charges offset against capital	1.42	1.40	0.00
Other information			
Closing NAV (£'000)	943,978	632,664	663,419
Closing NAV percentage of total fund NAV (%)	4.57	4.10	3.64
Number of shares	59,803,306	41,757,012	52,639,574
Highest share price (Euro ¢)	1,824.50	1,804.07	1,807.63
Lowest share price (Euro ¢)	1,748.54	1,659.55	1,723.22

M&G Optimal Income Fund

Financial highlights

Specific share class performance

Euro Class 'A-H' Accumulation share performance

The share class was launched on 20 April 2007

for the year to 30 September Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,911.10	1,806.43	1,824.69
Return before operating charges and after direct portfolio transaction costs	123.60	130.95	8.30
Operating charges	(27.97)	(26.28)	(26.56)
Return after operating charges	95.63	104.67	(18.26)
Distributions	(37.08)	(44.64)	(37.30)
Retained distributions	37.08	44.64	37.30
Closing NAV	2,006.73	1,911.10	1,806.43

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.12	0.19	0.09
Dilution adjustments ^[a]	(0.02)	(0.13)	(0.01)
Total direct portfolio transaction costs	0.10	0.06	0.08

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.42	1.43	1.43
Return after operating charges	+5.00	+5.79	-1.00
Distribution yield	1.24	2.06	1.86
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	10,412,614	7,574,320	8,807,296
Closing NAV percentage of total fund NAV (%)	50.46	49.10	48.30
Number of shares	587,864,064	460,177,565	660,721,600
Highest share price (Euro ¢)	2,016.79	1,930.16	1,873.77
Lowest share price (Euro ¢)	1,898.80	1,754.78	1,806.03

Euro Class 'B-H' Income share performance

The share class was launched on 11 September 2015.

for the year to 30 September Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,007.55	978.76	1,000.00
Return before operating charges and after direct portfolio transaction costs	65.36	71.18	(11.35)
Operating charges	(19.76)	(19.81)	(0.92)
Return after operating charges	45.60	51.37	(12.27)
Distributions	(33.85)	(22.58)	(8.97)
Closing NAV	1,019.30	1,007.55	978.76

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.06	0.11	0.00
Dilution adjustments ^[a]	(0.01)	(0.07)	0.00
Total direct portfolio transaction costs	0.05	0.04	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.92	1.92	1.93
Return after operating charges	+4.53	+5.25	-1.23
Distribution yield ^[c]	2.66	3.46	1.35
Effect on yield of charges offset against capital	1.92	1.90	0.00

Other information

Closing NAV (£'000)	42,741	7,814	22
Closing NAV percentage of total fund NAV (%)	0.21	0.05	0.00
Number of shares	4,750,594	900,419	3,001
Highest share price (Euro ¢)	1,040.52	1,031.89	1,000.00
Lowest share price (Euro ¢)	1,000.81	949.77	987.52

Euro Class 'B-H' Accumulation share performance

The share class was launched on 11 September 2015.

for the year to 30 September Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,039.47	987.73	1,000.00
Return before operating charges and after direct portfolio transaction costs	67.00	72.13	(11.35)
Operating charges	(20.65)	(20.39)	(0.92)
Return after operating charges	46.35	51.74	(12.27)
Distributions	(14.87)	(19.71)	(8.97)
Retained distributions	14.87	19.71	8.97
Closing NAV	1,085.82	1,039.47	987.73

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.06	0.11	0.00
Dilution adjustments ^[a]	(0.01)	(0.07)	0.00
Total direct portfolio transaction costs	0.05	0.04	0.00

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.92	1.92	1.93
Return after operating charges	+4.46	+5.24	-1.23
Distribution yield	0.74	1.59	1.35
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	128,396	19,007	22
Closing NAV percentage of total fund NAV (%)	0.62	0.12	0.00
Number of shares	13,396,798	2,123,070	3,000
Highest share price (Euro ¢)	1,091.83	1,050.39	1,000.00
Lowest share price (Euro ¢)	1,031.55	958.51	987.52

Euro Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 September Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	1,873.49	1,818.35	1,875.44
Return before operating charges and after direct portfolio transaction costs	120.81	128.75	8.00
Operating charges	(17.70)	(17.13)	(17.14)
Return after operating charges	103.11	111.62	(9.14)
Distributions	(63.30)	(56.48)	(47.95)
Closing NAV	1,913.30	1,873.49	1,818.35

Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.12	0.19	0.09
Dilution adjustments ^[a]	(0.02)	(0.13)	(0.01)
Total direct portfolio transaction costs	0.10	0.06	0.08

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.92	0.92	0.93
Return after operating charges	+5.50	+6.14	-0.49
Distribution yield ^[c]	2.65	3.47	2.36
Effect on yield of charges offset against capital	0.92	0.90	0.00

Other information

Closing NAV (£'000)	76,665	46,043	44,900
Closing NAV percentage of total fund NAV (%)	0.37	0.30	0.25
Number of shares	4,539,657	2,853,464	3,346,323
Highest share price (Euro ¢)	1,951.99	1,923.83	1,929.65
Lowest share price (Euro ¢)	1,863.02	1,770.37	1,839.49

M&G Optimal Income Fund

Financial highlights

Specific share class performance

Euro Class 'C-H' Accumulation share performance

The share class was launched on 20 April 2007.

for the year to 30 September Change in NAV per share	2017 Euro ¢	2016 Euro ¢	2015 Euro ¢
Opening NAV	2,009.92	1,893.03	1,903.47
Return before operating charges and after direct portfolio transaction costs	129.04	134.79	7.57
Operating charges	(19.16)	(17.90)	(18.01)
Return after operating charges	109.88	116.89	(10.44)
Distributions	(49.48)	(56.11)	(48.89)
Retained distributions	49.48	56.11	48.89
Closing NAV	2,119.80	2,009.92	1,893.03
Direct portfolio transaction costs	Euro ¢	Euro ¢	Euro ¢
Costs before dilution adjustments	0.12	0.20	0.09
Dilution adjustments ^[a]	(0.02)	(0.13)	(0.01)
Total direct portfolio transaction costs	0.10	0.07	0.08
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.92	0.93	0.93
Return after operating charges	+5.47	+6.17	-0.55
Distribution yield	1.74	2.56	2.36
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	2,966,470	1,785,131	2,196,738
Closing NAV percentage of total fund NAV (%)	14.37	11.57	12.05
Number of shares	158,544,651	103,122,734	157,259,592
Highest share price (Euro ¢)	2,130.49	2,029.79	1,958.00
Lowest share price (Euro ¢)	1,997.26	1,842.59	1,892.63

Singapore dollar Class 'A-H' Accumulation share performance

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2017 Singapore ¢	2016 Singapore ¢	2015 Singapore ¢
Opening NAV	1,053.49	981.11	1,000.00
Return before operating charges and after direct portfolio transaction costs	84.90	86.66	(8.84)
Operating charges	(15.52)	(14.28)	(10.05)
Return after operating charges	69.38	72.38	(18.89)
Distributions	(20.69)	(24.18)	(13.55)
Retained distributions	20.69	24.18	13.55
Closing NAV	1,122.87	1,053.49	981.11
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.07	0.10	0.03
Dilution adjustments ^[a]	(0.01)	(0.07)	0.00
Total direct portfolio transaction costs	0.06	0.03	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.42	1.42	1.42
Return after operating charges	+6.59	+7.38	-1.89
Distribution yield	1.24	2.05	1.89
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	7,287	4,220	6,179
Closing NAV percentage of total fund NAV (%)	0.04	0.03	0.03
Number of shares	1,178,959	708,563	1,362,388
Highest share price (Singapore ¢)	1,128.50	1,063.33	1,009.68
Lowest share price (Singapore ¢)	1,048.47	959.86	980.91

Singapore dollar Class 'A-H M' Income share performance

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2017 Singapore ¢	2016 Singapore ¢	2015 Singapore ¢
Opening NAV	1,012.82	967.62	1,000.00
Return before operating charges and after direct portfolio transaction costs	79.35	85.35	(9.20)
Operating charges	(14.59)	(14.08)	(9.96)
Return after operating charges	64.76	71.27	(19.16)
Distributions	(34.01)	(26.07)	(13.22)
Closing NAV	1,043.57	1,012.82	967.62
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.06	0.10	0.03
Dilution adjustments ^[a]	(0.01)	(0.07)	0.00
Total direct portfolio transaction costs	0.05	0.03	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.42	1.42	1.42
Return after operating charges	+6.39	+7.37	-1.92
Distribution yield ^[c]	2.64	3.44	1.89
Effect on yield of charges offset against capital	1.42	1.40	0.00
Other information			
Closing NAV (£'000)	31,400	8,506	13,512
Closing NAV percentage of total fund NAV (%)	0.15	0.05	0.07
Number of shares	5,466,243	1,485,519	3,020,993
Highest share price (Singapore ¢)	1,051.73	1,025.91	1,008.39
Lowest share price (Singapore ¢)	1,003.37	939.62	968.90

Singapore dollar Class 'C-H' Accumulation share performance

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2017 Singapore ¢	2016 Singapore ¢	2015 Singapore ¢
Opening NAV	1,062.74	984.33	1,000.00
Return before operating charges and after direct portfolio transaction costs	85.22	87.45	(9.20)
Operating charges	(10.18)	(9.04)	(6.47)
Return after operating charges	75.04	78.41	(15.67)
Distributions	(26.43)	(29.41)	(16.99)
Retained distributions	26.43	29.41	16.99
Closing NAV	1,137.78	1,062.74	984.33
Direct portfolio transaction costs	Singapore ¢	Singapore ¢	Singapore ¢
Costs before dilution adjustments	0.07	0.10	0.03
Dilution adjustments ^[a]	(0.01)	(0.07)	0.00
Total direct portfolio transaction costs	0.06	0.03	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.92	0.93	0.92
Return after operating charges	+7.06	+7.97	-1.57
Distribution yield	1.74	2.54	2.39
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	287	40	182
Closing NAV percentage of total fund NAV (%)	0.00	0.00	0.00
Number of shares	45,859	6,597	40,029
Highest share price (Singapore ¢)	1,143.53	1,072.38	1,010.54
Lowest share price (Singapore ¢)	1,058.06	964.72	984.06

M&G Optimal Income Fund

Financial highlights

Specific share class performance

Sterling Class 'A' Income share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	145.75	140.09	143.29
Return before operating charges and after direct portfolio transaction costs	10.70	11.56	1.71
Operating charges	(2.09)	(2.01)	(2.04)
Return after operating charges	8.61	9.55	(0.33)
Distributions	(4.94)	(3.89)	(2.87)
Closing NAV	149.42	145.75	140.09
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.01	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.40	1.41	1.41
Return after operating charges	+5.91	+6.82	-0.23
Distribution yield ^[c]	2.66	3.51	1.89
Effect on yield of charges offset against capital	1.40	1.40	0.00
Other information			
Closing NAV (£'000)	232,904	226,156	539,892
Closing NAV percentage of total fund NAV (%)	1.13	1.47	2.96
Number of shares	155,877,179	155,166,606	385,395,778
Highest share price (UK p)	152.46	149.02	147.24
Lowest share price (UK p)	145.05	136.13	141.13

Sterling Class 'A' Accumulation share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	196.82	185.07	186.31
Return before operating charges and after direct portfolio transaction costs	14.56	15.36	2.17
Operating charges	(2.85)	(2.67)	(2.66)
Return after operating charges	11.71	12.69	(0.49)
Distributions	(3.89)	(4.70)	(3.74)
Retained distributions	3.89	3.76	2.99
Closing NAV	208.53	196.82	185.07
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.01	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.40	1.41	1.41
Return after operating charges	+5.95	+6.86	-0.26
Distribution yield	1.26	2.10	1.89
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	567,587	650,497	1,045,476
Closing NAV percentage of total fund NAV (%)	2.75	4.22	5.73
Number of shares	272,182,254	330,507,238	564,919,157
Highest share price (UK p)	209.59	198.72	191.43
Lowest share price (UK p)	195.86	179.84	185.03

Sterling Class 'I' Income share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	145.86	140.07	143.28
Return before operating charges and after direct portfolio transaction costs	10.73	11.57	1.71
Operating charges	(1.35)	(1.30)	(1.32)
Return after operating charges	9.38	10.27	0.39
Distributions	(4.95)	(4.48)	(3.60)
Closing NAV	150.29	145.86	140.07
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.01	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.90	0.91	0.91
Return after operating charges	+6.43	+7.33	+0.27
Distribution yield ^[c]	2.66	3.50	2.40
Effect on yield of charges offset against capital	0.90	0.90	0.00
Other information			
Closing NAV (£'000)	1,443,654	1,366,215	1,534,306
Closing NAV percentage of total fund NAV (%)	7.00	8.86	8.41
Number of shares	960,593,216	936,630,031	1,095,418,033
Highest share price (UK p)	153.35	149.29	147.47
Lowest share price (UK p)	145.27	136.31	141.40

Sterling Class 'I' Accumulation share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	204.22	191.26	191.79
Return before operating charges and after direct portfolio transaction costs	15.15	15.92	2.20
Operating charges	(1.91)	(1.79)	(1.77)
Return after operating charges	13.24	14.13	0.43
Distributions	(5.09)	(5.84)	(4.82)
Retained distributions	5.09	4.67	3.86
Closing NAV	217.46	204.22	191.26
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.01	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.91	0.91	0.91
Return after operating charges	+6.48	+7.39	+0.22
Distribution yield	1.76	2.60	2.40
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	1,448,476	1,400,480	1,346,596
Closing NAV percentage of total fund NAV (%)	7.02	9.08	7.39
Number of shares	666,103,023	685,772,367	704,071,961
Highest share price (UK p)	218.55	206.15	197.39
Lowest share price (UK p)	203.38	186.13	191.22

M&G Optimal Income Fund

Financial highlights

Specific share class performance

Sterling Class 'R' Income share performance

The share class was launched on 3 August 2012.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	113.32	108.87	111.37
Return before operating charges and after direct portfolio transaction costs	8.33	8.99	1.32
Operating charges	(1.34)	(1.29)	(1.30)
Return after operating charges	6.99	7.70	0.02
Distributions	(3.84)	(3.25)	(2.52)
Closing NAV	116.47	113.32	108.87
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.01	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.15	1.16	1.16
Return after operating charges	+6.17	+7.07	+0.02
Distribution yield ^[c]	2.66	3.50	2.15
Effect on yield of charges offset against capital	1.15	1.15	0.00
Other information			
Closing NAV (£'000)	3,357	3,697	3,896
Closing NAV percentage of total fund NAV (%)	0.02	0.02	0.02
Number of shares	2,882,478	3,262,632	3,578,994
Highest share price (UK p)	118.84	115.92	114.53
Lowest share price (UK p)	112.82	105.88	109.79

Sterling Class 'R' Accumulation share performance

The share class was launched on 3 August 2012.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	123.83	116.20	116.76
Return before operating charges and after direct portfolio transaction costs	9.18	9.66	1.34
Operating charges	(1.48)	(1.38)	(1.37)
Return after operating charges	7.70	8.28	(0.03)
Distributions	(2.77)	(3.25)	(2.65)
Retained distributions	2.77	2.60	2.12
Closing NAV	131.53	123.83	116.20
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.01	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.15	1.16	1.16
Return after operating charges	+6.22	+7.13	-0.03
Distribution yield	1.51	2.35	2.15
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	8,003	6,994	8,194
Closing NAV percentage of total fund NAV (%)	0.04	0.04	0.04
Number of shares	6,084,256	5,647,628	7,051,647
Highest share price (UK p)	132.19	125.02	120.06
Lowest share price (UK p)	123.28	113.00	116.18

Sterling Class 'X' Income share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	145.60	140.00	143.21
Return before operating charges and after direct portfolio transaction costs	10.68	11.56	1.70
Operating charges	(2.17)	(2.37)	(2.40)
Return after operating charges	8.51	9.19	(0.70)
Distributions	(4.93)	(3.59)	(2.51)
Closing NAV	149.18	145.60	140.00
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.01	0.01
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.01	0.00	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.46*	1.66	1.66
Return after operating charges	+5.84	+6.56	-0.49
Distribution yield ^[c]	2.66	3.50	1.64
Effect on yield of charges offset against capital	1.40	1.65	0.00
Other information			
Closing NAV (£'000)	68,128	78,484	88,563
Closing NAV percentage of total fund NAV (%)	0.33	0.51	0.49
Number of shares	45,668,067	53,905,220	63,257,225
Highest share price (UK p)	152.22	148.78	147.02
Lowest share price (UK p)	144.85	135.95	140.90

* As the management charge has been discounted during the period, 1.41% is a more reliable estimate of the ongoing charge for the period to 30.09.17.

Sterling Class 'X' Accumulation share performance

The share class was launched on 8 December 2006.

for the year to 30 September Change in NAV per share	2017 UK p	2016 UK p	2015 UK p
Opening NAV	192.88	181.72	183.28
Return before operating charges and after direct portfolio transaction costs	14.27	15.08	2.16
Operating charges	(2.90)	(3.09)	(3.08)
Return after operating charges	11.37	11.99	(0.92)
Distributions	(3.71)	(4.14)	(3.22)
Retained distributions	3.71	3.31	2.58
Closing NAV	204.25	192.88	181.72
Direct portfolio transaction costs	UK p	UK p	UK p
Costs before dilution adjustments	0.01	0.02	0.01
Dilution adjustments ^[a]	0.00	(0.01)	0.00
Total direct portfolio transaction costs	0.01	0.01	0.01
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.46*	1.66	1.66
Return after operating charges	+5.89	+6.60	-0.50
Distribution yield	1.17	1.86	1.64
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	63,513	75,557	84,803
Closing NAV percentage of total fund NAV (%)	0.31	0.49	0.47
Number of shares	31,095,408	39,173,748	46,665,649
Highest share price (UK p)	205.28	194.77	188.19
Lowest share price (UK p)	191.88	176.46	181.68

* As the management charge has been discounted during the period, 1.41% is a more reliable estimate of the ongoing charge for the period to 30.09.17.

M&G Optimal Income Fund

Financial highlights

Specific share class performance

Swiss franc Class 'A-H' Income share performance

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	1,121.90	1,096.99	1,156.86
Return before operating charges and after direct portfolio transaction costs	67.26	69.69	(26.04)
Operating charges	(16.15)	(15.58)	(10.98)
Return after operating charges	51.11	54.11	(37.02)
Distributions	(37.68)	(29.20)	(22.85)
Closing NAV	1,135.33	1,121.90	1,096.99

Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.07	0.11	0.04
Dilution adjustments ^[a]	(0.01)	(0.08)	0.00
Total direct portfolio transaction costs	0.06	0.03	0.04

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.42	1.43	1.43
Return after operating charges	+4.56	+4.93	-3.20
Distribution yield ^[c]	2.65	3.44	1.87
Effect on yield of charges offset against capital	1.42	1.40	0.00

Other information

Closing NAV (£'000)	4,002	893	1,461
Closing NAV percentage of total fund NAV (%)	0.02	0.01	0.01
Number of shares	457,076	100,508	196,988
Highest share price (Swiss ¢)	1,159.08	1,150.71	1,166.36
Lowest share price (Swiss ¢)	1,114.32	1,062.38	1,107.42

Swiss franc Class 'A-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 30 September Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	1,175.12	1,119.62	1,138.53
Return before operating charges and after direct portfolio transaction costs	70.94	71.54	(2.43)
Operating charges	(17.12)	(16.04)	(16.48)
Return after operating charges	53.82	55.50	(18.91)
Distributions	(22.81)	(27.09)	(22.55)
Retained distributions	22.81	27.09	22.55
Closing NAV	1,228.94	1,175.12	1,119.62

Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.07	0.11	0.06
Dilution adjustments ^[a]	(0.01)	(0.08)	0.00
Total direct portfolio transaction costs	0.06	0.03	0.06

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.42	1.43	1.43
Return after operating charges	+4.58	+4.96	-1.66
Distribution yield	1.24	2.05	1.87
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	52,405	45,526	90,148
Closing NAV percentage of total fund NAV (%)	0.25	0.30	0.49
Number of shares	5,529,819	4,893,433	11,910,392
Highest share price (Swiss ¢)	1,235.85	1,187.49	1,167.47
Lowest share price (Swiss ¢)	1,166.57	1,084.10	1,119.37

Swiss franc Class 'C-H' Income share performance

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	1,133.50	1,106.76	1,168.88
Return before operating charges and after direct portfolio transaction costs	68.33	71.46	(26.16)
Operating charges	(10.65)	(10.51)	(7.29)
Return after operating charges	57.68	60.95	(33.45)
Distributions	(38.17)	(34.21)	(28.67)
Closing NAV	1,153.01	1,133.50	1,106.76

Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.07	0.12	0.04
Dilution adjustments ^[a]	(0.01)	(0.08)	0.00
Total direct portfolio transaction costs	0.06	0.04	0.04

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.92	0.92	0.93
Return after operating charges	+5.09	+5.51	-2.86
Distribution yield ^[c]	2.64	3.45	2.36
Effect on yield of charges offset against capital	0.92	0.90	0.00

Other information

Closing NAV (£'000)	14,127	6,010	3,086
Closing NAV percentage of total fund NAV (%)	0.07	0.04	0.02
Number of shares	1,588,893	669,753	412,494
Highest share price (Swiss ¢)	1,176.45	1,164.20	1,179.16
Lowest share price (Swiss ¢)	1,126.72	1,073.85	1,120.16

Swiss franc Class 'C-H' Accumulation share performance

The share class was launched on 28 September 2012.

for the year to 30 September Change in NAV per share	2017 Swiss ¢	2016 Swiss ¢	2015 Swiss ¢
Opening NAV	1,198.39	1,135.82	1,149.55
Return before operating charges and after direct portfolio transaction costs	72.02	73.47	(2.90)
Operating charges	(11.38)	(10.90)	(10.83)
Return after operating charges	60.64	62.57	(13.73)
Distributions	(29.44)	(33.54)	(28.56)
Retained distributions	29.44	33.54	28.56
Closing NAV	1,259.03	1,198.39	1,135.82

Direct portfolio transaction costs	Swiss ¢	Swiss ¢	Swiss ¢
Costs before dilution adjustments	0.07	0.12	0.06
Dilution adjustments ^[a]	(0.01)	(0.08)	0.00
Total direct portfolio transaction costs	0.06	0.04	0.06

Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.92	0.92	0.93
Return after operating charges	+5.06	+5.51	-1.19
Distribution yield	1.73	2.55	2.36
Effect on yield of charges offset against capital	0.00	0.00	0.00

Other information

Closing NAV (£'000)	105,038	72,848	26,438
Closing NAV percentage of total fund NAV (%)	0.51	0.47	0.14
Number of shares	10,818,636	7,678,121	3,443,163
Highest share price (Swiss ¢)	1,265.42	1,210.70	1,180.64
Lowest share price (Swiss ¢)	1,190.42	1,102.21	1,135.59

M&G Optimal Income Fund

Financial highlights

Specific share class performance

US dollar Class 'A-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 September Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,343.54	1,293.09	1,326.51
Return before operating charges and after direct portfolio transaction costs	113.42	103.41	11.36
Operating charges	(19.64)	(18.67)	(19.22)
Return after operating charges	93.78	84.74	(7.86)
Distributions	(45.33)	(34.29)	(25.56)
Closing NAV	1,391.99	1,343.54	1,293.09
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.08	0.13	0.07
Dilution adjustments ^[a]	(0.01)	(0.09)	0.00
Total direct portfolio transaction costs	0.07	0.04	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.42	1.43	1.43
Return after operating charges	+6.98	+6.55	-0.59
Distribution yield ^[c]	2.63	3.44	1.83
Effect on yield of charges offset against capital	1.42	1.40	0.00
Other information			
Closing NAV (£'000)	57,650	60,931	1,315,498
Closing NAV percentage of total fund NAV (%)	0.28	0.39	7.22
Number of shares	5,543,011	5,879,099	11,885,851
Highest share price (US ¢)	1,420.52	1,375.33	1,363.52
Lowest share price (US ¢)	1,339.09	1,259.05	1,305.02

US dollar Class 'A-H' Accumulation share performance

The share class was launched on 1 October 2010.

for the year to 30 September Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,418.75	1,331.90	1,340.91
Return before operating charges and after direct portfolio transaction costs	119.86	106.24	10.45
Operating charges	(20.89)	(19.39)	(19.46)
Return after operating charges	98.97	86.85	(9.01)
Distributions	(27.42)	(32.13)	(25.83)
Retained distributions	27.42	32.13	25.83
Closing NAV	1,517.72	1,418.75	1,331.90
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.09	0.14	0.07
Dilution adjustments ^[a]	(0.02)	(0.09)	0.00
Total direct portfolio transaction costs	0.07	0.05	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.42	1.42	1.43
Return after operating charges	+6.98	+6.52	-0.67
Distribution yield	1.23	2.05	1.83
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	1,515,369	1,067,522	101,121
Closing NAV percentage of total fund NAV (%)	7.34	6.92	0.55
Number of shares	133,633,312	97,542,216	150,118,496
Highest share price (US ¢)	1,525.67	1,431.21	1,377.95
Lowest share price (US ¢)	1,413.13	1,296.56	1,331.61

US dollar Class 'A-H M' Income share performance

The share class was launched on 16 January 2015.

for the year to 30 September Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,001.57	964.15	1,000.00
Return before operating charges and after direct portfolio transaction costs	83.59	76.70	(12.52)
Operating charges	(14.41)	(13.85)	(10.00)
Return after operating charges	69.18	62.85	(22.52)
Distributions	(33.36)	(25.43)	(13.33)
Closing NAV	1,037.39	1,001.57	964.15
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.06	0.10	0.03
Dilution adjustments ^[a]	(0.01)	(0.07)	0.00
Total direct portfolio transaction costs	0.05	0.03	0.03
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	1.42	1.43	1.42
Return after operating charges	+6.91	+6.52	-2.25
Distribution yield ^[c]	2.62	3.44	1.86
Effect on yield of charges offset against capital	1.42	1.40	0.00
Other information			
Closing NAV (£'000)	77,397	17,620	23,233
Closing NAV percentage of total fund NAV (%)	0.37	0.11	0.13
Number of shares	9,985,406	2,280,655	3,662,465
Highest share price (US ¢)	1,044.51	1,013.99	1,008.93
Lowest share price (US ¢)	994.21	932.10	965.46

US dollar Class 'C-H' Income share performance

The share class was launched on 8 August 2014.

for the year to 30 September Change in NAV per share	2017 US ¢	2016 US ¢	2015 US ¢
Opening NAV	1,369.72	1,316.85	1,351.88
Return before operating charges and after direct portfolio transaction costs	115.56	105.94	10.49
Operating charges	(13.01)	(12.46)	(12.78)
Return after operating charges	102.55	93.48	(2.29)
Distributions	(46.37)	(40.61)	(32.74)
Closing NAV	1,425.90	1,369.72	1,316.85
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.08	0.14	0.07
Dilution adjustments ^[a]	(0.01)	(0.09)	0.00
Total direct portfolio transaction costs	0.07	0.05	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.92	0.92	0.93
Return after operating charges	+7.49	+7.10	-0.17
Distribution yield ^[c]	2.62	3.45	2.32
Effect on yield of charges offset against capital	0.92	0.90	0.00
Other information			
Closing NAV (£'000)	65,331	31,837	27,603
Closing NAV percentage of total fund NAV (%)	0.32	0.21	0.15
Number of shares	6,132,234	3,013,204	3,185,873
Highest share price (US ¢)	1,455.08	1,404.04	1,391.60
Lowest share price (US ¢)	1,365.89	1,284.61	1,332.42

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Specific share class performance

US dollar Class 'C-H' Accumulation share performance

The share class was launched on 1 October 2010.

for the year to 30 September	2017	2016	2015
Change in NAV per share	US ¢	US ¢	US ¢
Opening NAV	1,463.05	1,366.78	1,369.26
Return before operating charges and after direct portfolio transaction costs	122.94	109.24	10.45
Operating charges	(14.01)	(12.97)	(12.93)
Return after operating charges	108.93	96.27	(2.48)
Distributions	(35.92)	(40.03)	(33.19)
Retained distributions	35.92	40.03	33.19
Closing NAV	1,571.98	1,463.05	1,366.78
Direct portfolio transaction costs	US ¢	US ¢	US ¢
Costs before dilution adjustments	0.09	0.14	0.07
Dilution adjustments ^[a]	(0.02)	(0.10)	0.00
Total direct portfolio transaction costs	0.07	0.04	0.07
Performance and charges	%	%	%
Direct portfolio transaction costs ^[b]	0.01	0.00	0.00
Operating charges	0.92	0.92	0.93
Return after operating charges	+7.45	+7.04	-0.18
Distribution yield	1.72	2.54	2.32
Effect on yield of charges offset against capital	0.00	0.00	0.00
Other information			
Closing NAV (£'000)	300,244	237,933	262,429
Closing NAV percentage of total fund NAV (%)	1.45	1.54	1.44
Number of shares	25,563,132	21,082,338	29,182,769
Highest share price (US ¢)	1,579.91	1,475.46	1,409.02
Lowest share price (US ¢)	1,458.01	1,332.73	1,366.50

^[a] In respect of direct portfolio transaction costs.

^[b] As a percentage of average net asset value.

^[c] Following the change in charging structure, you may see variances between the comparative and current year figures.

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Statement of total return

for the year to 30 September	Note	2017		2016	
		£'000	£'000	£'000	£'000
Income					
Net capital gains / (losses)	5		792,993		2,196,007
Revenue	7	583,127		615,985	
Expenses	8	(224,806)		(198,140)	
Net revenue / (expense) before taxation		358,321		417,845	
Taxation	9	(3,918)		(377)	
Net revenue / (expense) after taxation			354,403		417,468
Total return before distributions			1,147,396		2,613,475
Distributions	10		(385,386)		(422,428)
Change in net assets attributable to shareholders from investment activities			762,010		2,191,047

Statement of change in net assets attributable to shareholders

for the year to 30 September		2017		2016	
		£'000	£'000	£'000	£'000
Opening net assets attributable to shareholders					
			15,426,945		18,235,013
Amounts received on issue of shares	5,312,755			1,238,807	
Amounts paid on cancellation of shares	(1,196,939)			(6,564,988)	
			4,115,816		(5,326,181)
Dilution adjustments			13,302		21,370
Change in net assets attributable to shareholders from investment activities (see above)			762,010		2,191,047
Retained distributions on Accumulation shares			318,945		305,695
Unclaimed distributions			5		1
Closing net assets attributable to shareholders			20,637,023		15,426,945

Balance sheet

as at 30 September	Note	2017	2016
		£'000	£'000
Assets			
Fixed assets			
Investments		20,440,704	15,396,406
Current assets			
Debtors	11	895,692	727,026
Cash and bank balances	12	553,992	335,688
Total assets		21,890,388	16,459,120
Liabilities			
Investment liabilities		(444,594)	(327,172)
Creditors			
Bank overdrafts		0	(33,577)
Overdrawn positions at futures clearing houses and collateral manager		(3,747)	0
Distribution payable		(45,360)	(47,425)
Other creditors	13	(759,664)	(624,001)
Total liabilities		(1,253,365)	(1,032,175)
Net assets attributable to shareholders		20,637,023	15,426,945

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.

Amendments to FRS 102 'Fair value hierarchy disclosures' effective for annual periods beginning on or after 1 January 2017 have been early adopted. These amendments improve the consistency of fair value disclosures for financial instruments with those required by EU-adopted International Financial Reporting Standards (IFRS).

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements 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 29 September 2017 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 29 September 2017, 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:

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Notes to the financial statements

2 Summary of significant accounting policies (continued)

d) Investments - recognition and valuation (continued)

- 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.
- 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 income, including coupons from debt securities and bank interest is recognised on an accruals basis.
- Other interest income, such as 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).
- Ordinary equity dividends, including ordinary stock dividends are treated as revenue.
- Special equity dividends, share buy backs or additional share issues may be treated as revenue or capital depending on the facts of each particular case.
- The value of any enhancement to a stock dividend is treated as capital.
- 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) 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

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Notes to the financial statements

2 Summary of significant accounting policies (continued)

g) Tax (continued)

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.

h) Allocation of returns to share classes

The annual management charge, any share class hedging returns and associated share class hedging charge are 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 distribution policy in note 4, is distributed to holders of Income shares or retained and reinvested for holders of Accumulation shares. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

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

3 Risk management policies

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

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

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

The following risk management policies are applicable to the fund, with specific risk disclosures set out in notes 20 to 24 in this report.

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 may be calculated using a 'commitment' approach or 'Value at Risk' (VaR) approach.

Commitment approach

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

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

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

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

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 LIBOR / 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.

The table below shows funds using the 'commitment' approach and those using the 'Value at Risk (VaR)' approach:

Fund	Global exposure approach
M&G Optimal Income Fund	VaR

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3 Risk management policies (continued)

Liquidity risk

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

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

Investment liquidity considerations include an assessment of asset class liquidity conditions, liquidity of underlying holdings, portfolio construction and concentration, the scale of individual stock ownership and the nature of the investment strategy.

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

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

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 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 management charge, administration charge and the share class hedging charge are offset against capital, increasing the amount available for distribution whilst restraining capital performance to an equivalent extent.

5 Net capital gains / (losses)

	2017 £'000	2016 £'000
for the year to 30 September		
Non-derivative securities	84,219	2,430,052
Derivative contracts	729,109	(758,767)
Currency gains / (losses)	(20,297)	524,765
Transaction charges	(38)	(43)
Net capital gains / (losses)	792,993	2,196,007

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 section on 'Operating charges and portfolio transaction costs' on pages 18 and 19.

for the year to 30 September	2017 £'000	% of transaction	2016 £'000	% of transaction
a) Purchases				
Equities				
Equities before transaction costs	274,965		764,033	
Commissions	72	0.03	354	0.05
Taxes	395	0.14	605	0.08
Equities after transaction costs	275,432		764,992	
Debt securities [a]	12,974,660		7,058,259	
Total purchases after transaction costs	13,250,092		7,823,251	
b) Sales				
Equities				
Equities before transaction costs	607,546		65,522	
Commissions	(264)	0.04	(26)	0.04
Taxes	(6)	0.00	(1)	0.00
Equities after transaction costs	607,276		65,495	
Debt securities [a]	7,485,382		12,593,866	
Other transaction types				
Corporate actions	233,661		220,922	
Total sales after transaction costs	8,326,319		12,880,283	
c) Direct portfolio transaction costs	2017 £'000	% of average NAV	2016 £'000	% of average NAV
Commissions paid				
Equities	336	0.01	380	0.00
Derivatives	329	0.00	633	0.01
Total commissions paid	665	0.01	1,013	0.01
Taxes paid				
Equities	401	0.00	606	0.00
Total direct portfolio transaction costs [b]	1,066	0.01	1,619	0.01
d) Indirect portfolio transaction costs		%		%
Portfolio dealing spread [c]		0.56		0.72

[a] These transaction types do not attract direct portfolio transaction costs.

[b] Costs before dilution adjustments. Please refer to the 'Financial highlights' section for the effect of dilution adjustments.

[c] Average portfolio dealing spread at the balance sheet date.

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7 Revenue

for the year to 30 September	2017 £'000	2016 £'000
Bank interest	1,111	620
Derivative revenue	29,198	33,144
Dividends from equity investments: non-taxable	20,512	2,635
Interest distributions	715	1,418
Interest on debt securities	527,664	576,152
Stock dividends	3,927	2,016
Total revenue	583,127	615,985

8 Expenses

for the year to 30 September	2017 £'000	2016 £'000
Payable to the ACD or associate		
Annual management charge	193,882	171,131
Administration charge	26,468	23,500
Share class hedging charge	2,633	2,181
	222,983	196,812
Payable to the Depositary or associate		
Depositary's charge (including VAT)	554	494
Other expenses		
Audit fee (including VAT)	13	13
Interest payable	516	276
Legal fees	0	2
Safe custody charge	740	538
Tax fees (including VAT)	0	5
	1,269	834
Total expenses	224,806	198,140

9 Taxation

for the year to 30 September	2017 £'000	2016 £'000
a) Analysis of charge in the year		
Corporation tax	0	0
Withholding tax	3,918	390
Prior year adjustment	0	(13)
Deferred tax (note 9c)	0	0
Total taxation	3,918	377
b) Factors affecting taxation charge for the year		
Net revenue / (expense) before taxation	358,321	417,845
Corporation tax at 20%	71,664	83,569
Effects of:		
Dividends from equity investments: non-taxable	(4,103)	(527)
Stock dividends not taxable	(785)	(403)
Interest distributions	(66,751)	(82,614)
Withholding tax	3,918	390
Withholding tax expensed	(25)	(25)
Prior year adjustment	0	(13)
Total tax charge (note 9a)	3,918	377
c) Provision for deferred taxation		
Provision at the start of the year	0	0
Deferred tax in profit and loss account (note 9a)	0	0
Provision at the end of the year	0	0

The fund has not recognised a deferred tax asset in the current financial year (2016: same).

Interest distributions have been made in respect of all distributions during the current and preceding periods. Income tax at 20% will be accounted for on shareholders' behalf to HM Revenue & Customs up to 30 September 2016.

10 Distributions

for the year to 30 September	2017		2016	
	Inc ^[a] £'000	Acc ^[b] £'000	Inc ^[a] £'000	Acc ^[b] £'000
Interest distributions				
First interim	86	n/a	55	n/a
Second interim	67	n/a	62	n/a
Third interim	76	n/a	71	n/a
Fourth interim	114	n/a	73	n/a
Fifth interim	117	n/a	82	n/a
Sixth interim	47,718	170,112	28,645	139,963
Seventh interim	146	n/a	51	n/a
Eighth interim	235	n/a	59	n/a
Ninth interim	207	n/a	74	n/a
Tenth interim	237	n/a	61	n/a
Eleventh interim	253	n/a	104	n/a
Final	45,107	148,833	34,684	165,732
Total net distributions		413,308		369,716
Income tax deducted at source		0		24,157
Interest distributions		413,308		393,873
Income deducted on cancellation of shares		6,987		36,878
Income received on issue of shares		(34,909)		(8,323)
Distributions		385,386		422,428
Net revenue / (expense) per statement of total return		354,403		417,468
Expenses offset against capital		30,979		4,964
Undistributed income brought forward		6		2
Undistributed income carried forward		(2)		(6)
Distributions		385,386		422,428

^[a] Distributions payable on Income shares.

^[b] Retained distributions on Accumulation shares.

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11 Debtors

as at 30 September	2017 £'000	2016 £'000
Amounts receivable on issues of shares	139,788	15,783
Compensation receivable	0	3
Currency deals outstanding	152,029	32,399
Debt security interest receivable	198,083	155,895
Derivative revenue receivable	655	2,648
Distributions receivable	36	74
Dividends receivable	180	225
Sales awaiting settlement	401,492	515,962
Tax recoverable	169	0
Withholding tax recoverable	3,260	4,037
Total debtors	895,692	727,026

12 Cash and bank balances

as at 30 September	2017 £'000	2016 £'000
Amounts held at futures clearing houses and collateral manager	175,720	311,721
Cash held as bank balances	378,272	23,967
Total cash and bank balances	553,992	335,688

13 Other creditors

as at 30 September	2017 £'000	2016 £'000
ACD's annual management charge payable	11,133	8,291
Administration charge payable	1,519	1,139
Amounts payable on cancellation of shares	65,924	23,463
Currency deals outstanding	152,252	32,398
Derivative expense payable	2,352	3,033
Expenses payable	252	139
Purchases awaiting settlement	526,076	555,430
Share class hedging charge payable	156	108
Total other creditors	759,664	624,001

14 Contingent assets, liabilities and outstanding commitments

There were no contingent assets, liabilities or outstanding commitments at the balance sheet date (2016: 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 01.10.16	Movements		Closing 30.09.17
		Issued	Cancelled	
Euro				
Class 'A-H' Income	41,757,012	19,349,704	(1,303,410)	59,803,306
Class 'A-H' Accumulation	460,177,565	144,033,823	(16,347,324)	587,864,064
Class 'B-H' Income	900,419	3,885,334	(35,159)	4,750,594
Class 'B-H' Accumulation	2,123,070	11,307,018	(33,290)	13,396,798
Class 'C-H' Income	2,853,464	2,827,617	(1,141,424)	4,539,657
Class 'C-H' Accumulation	103,122,734	61,669,201	(6,247,284)	158,544,651
Singapore dollar				
Class 'A-H' Accumulation	708,563	584,271	(113,875)	1,178,959
Class 'A-H M' Income	1,485,519	5,278,404	(1,297,680)	5,466,243
Class 'C-H' Accumulation	6,597	40,262	(1,000)	45,859
Sterling				
Class 'A' Income	155,166,606	32,317,202	(31,606,629)	155,877,179
Class 'A' Accumulation	330,507,238	10,970,441	(69,295,425)	272,182,254
Class 'I' Income	936,630,031	87,021,817	(63,058,632)	960,593,216
Class 'I' Accumulation	685,772,367	46,927,051	(66,596,395)	666,103,023
Class 'R' Income	3,262,632	556,987	(937,141)	2,882,478
Class 'R' Accumulation	5,647,628	1,776,994	(1,340,366)	6,084,256
Class 'X' Income	53,905,220	602,916	(8,840,069)	45,668,067
Class 'X' Accumulation	39,173,748	277,622	(8,355,962)	31,095,408
Swiss franc				
Class 'A-H' Income	100,508	370,038	(13,470)	457,076
Class 'A-H' Accumulation	4,893,433	1,496,887	(860,501)	5,529,819
Class 'C-H' Income	669,753	1,006,300	(87,160)	1,588,893
Class 'C-H' Accumulation	7,678,121	4,544,898	(1,404,383)	10,818,636
US dollar				
Class 'A-H' Income	5,879,099	1,296,229	(1,632,317)	5,543,011
Class 'A-H' Accumulation	97,542,216	52,167,988	(16,076,892)	133,633,312
Class 'A-H M' Income	2,280,655	8,235,703	(530,952)	9,985,406
Class 'C-H' Income	3,013,204	4,025,054	(906,024)	6,132,234
Class 'C-H' Accumulation	21,082,338	10,354,711	(5,873,917)	25,563,132

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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.

Share class	Entry charge %	Exit charge %	Annual management charge %	Share class hedging charge %
Euro				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'B-H'	1.25	n/a	1.75	[a]
Class 'C-H'	1.25	n/a	0.75	[a]
Singapore dollar				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'A-H M'	4.00	n/a	1.25	[a]
Class 'C-H'	1.25	n/a	0.75	[a]
Sterling				
Class 'A'	3.00 [b]	n/a	1.25	n/a
Class 'I'	1.00 [b]	n/a	0.75	n/a
Class 'R'	1.00 [b]	n/a	1.00	n/a
Class 'X'	nil	4.50 [c]	1.25 [d]	n/a
Swiss franc				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'C-H'	1.25	n/a	0.75	[a]
US dollar				
Class 'A-H'	4.00	n/a	1.25	[a]
Class 'A-H M'	4.00	n/a	1.25	[a]
Class 'C-H'	1.25	n/a	0.75	[a]

[a] This charge may vary between 0.01% and 0.055%.

[b] With effect from 16 December 2016, the entry charge has been discounted to zero on all investments into sterling share classes.

[c] With effect from 16 December 2016, the exit charge has been waived on future withdrawals from all Sterling Class 'X' shares.

[d] This charge was reduced on 1 September 2017 from 1.50% to 1.25%.

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 at the year end are disclosed in notes 11 and 13 where applicable.

Amounts paid to M&G Securities Limited in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 8. Amounts due at the year end in respect of the ACD's annual management charge, administration charge and share class hedging charge are disclosed in note 13.

At the balance sheet date, shareholders from within Prudential plc, of which M&G Securities Limited is a wholly owned subsidiary, have holdings totalling 4.69% (2016: 0.00%) of the fund's shares.

18 Events after the balance sheet date

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

19 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.

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	Liabilities	Assets	Liabilities
Basis of valuation	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Level 1	6,175,500	(160)	3,836,624	(2,552)
Level 2	14,265,204	(444,434)	11,559,774	(324,620)
Level 3	0	0	8	0
	20,440,704	(444,594)	15,396,406	(327,172)

In accordance with FRS 102 (22.4a) the shares in issue for each class meet the definition of a puttable instrument as the shareholders have the right to sell the shares back to the issuer. The shares in the fund may be issued and redeemed on any business day at the quoted price. These shares are not traded on an exchange. However, the price is observable and transactions within the fund take place regularly at that price. The shares in issue as detailed in note 15 meet the definition of a level 2 financial instrument 'Valuation techniques using observable market data'.

20 Risk management policies

The general risk management policies for the fund are set out in note 3 to the financial statements on pages 29 and 30.

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21 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 2017 was 20% (2016: 20%).

The lowest, highest and average VaR calculated during the financial years ended 30 September 2017 and 30 September 2016 are disclosed in the table below. The lowest, highest and average utilisation of VaR is with reference to the limit above.

for the year to 30 September	2017 %	2016 %
Lowest	1.46	2.43
Highest	3.38	3.50
Average	2.09	3.01

22 Credit risk exposure

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	2017 £'000	2016 £'000
Investment grade securities	15,818,489	9,426,592
Below investment grade securities	2,331,461	2,519,961
Unrated securities	1,044,556	2,110,150
Other investments	801,604	1,012,531
Total	19,996,110	15,069,234

The table below shows 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 2017	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	225	0	48,646
Barclays Bank	25,104	10,589	0
BNP Paribas	(1,772)	14,597	0
Citigroup	3,918	5,026	0
Credit Suisse	(709)	0	0
Deutsche Bank	84	0	0
Goldman Sachs	(945)	0	0
HSBC	1,093	(4,894)	0
J.P.Morgan	6,347	7,074	0
National Australia Bank	0	(60,118)	0
Royal Bank of Scotland	0	0	0
Standard Charter Bank	0	(53,634)	0
State Street Bank	0	4,798	0
UBS	(1,882)	(4,036)	0
Total	31,463	(80,598)	48,646

as at 30 September 2016	Swaps £'000	Forward currency contracts £'000	Futures £'000
Bank of America Merrill Lynch	0	(3,283)	4,147
Barclays Bank	8,823	(4,204)	0
BNP Paribas	(8,856)	(31,892)	0
Citigroup	(24,182)	(4,574)	0
Credit Suisse	36,455	0	0
Deutsche Bank	(55)	0	0
Goldman Sachs	26,244	0	0
HSBC	6,815	(4,707)	0
J.P.Morgan	(3,636)	(4,119)	0
National Australia Bank	0	30,566	0
Royal Bank of Scotland	0	(11,276)	0
Standard Charter Bank	0	(4,249)	0
State Street Bank	0	56,418	0
UBS	(87,393)	(6,447)	0
Total	(45,785)	12,233	4,147

Net exposure represents the mark-to-market value of derivative contracts less any cash collateral held. Positive exposure represents the fund's exposure to that counterparty. Negative amounts are not an exposure to the fund.

23 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 2017 and 30 September 2016 are disclosed in the table below.

for the year to 30 September	2017 £'000	2017 %	2016 £'000	2016 %
Lowest	21,275,724	107	39,209,820	272
Highest	72,973,367	215	71,402,445	396
Average	46,157,553	124	47,633,392	306

24 Exchange rate risk for hedged share classes

This fund contains hedged share classes. These share classes operate currency hedges designed to reduce the impact of exchange rates in certain circumstances. As a result, profit and loss on the currency hedges may impact the liquidity of the overall fund. On a day to day basis this is monitored using reporting from the outsourced provider of the hedged share class service. On an ongoing basis the size of the hedged share classes is monitored to ensure that unforeseen exchange rate volatility can be adequately managed without significantly impacting all shareholders.

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25 Interest distribution tables

This fund pays both monthly and semi-annual interest distributions depending on the share class. The following table sets out the distribution periods applicable.

Monthly distribution periods

	Start	End	Xd	Payment
First interim	01.10.16	31.10.16	01.11.16	31.12.16
Second interim	01.11.16	30.11.16	01.12.16	31.01.17
Third interim	01.12.16	31.12.16	03.01.17	28.02.17
Fourth interim	01.01.17	31.01.17	01.02.17	31.03.17
Fifth interim	01.02.17	28.02.17	01.03.17	30.04.17
Sixth interim	01.03.17	31.03.17	03.04.17	31.05.17
Seventh interim	01.04.17	30.04.17	02.05.17	30.06.17
Eighth interim	01.05.17	31.05.17	01.06.17	31.07.17
Ninth interim	01.06.17	30.06.17	03.07.17	31.08.17
Tenth interim	01.07.17	31.07.17	01.08.17	30.09.17
Eleventh interim	01.08.17	31.08.17	01.09.17	31.10.17
Final	01.09.17	30.09.17	02.10.17	30.11.17

Semi-annual distribution periods

	Start	End	Xd	Payment
Interim	01.10.16	31.03.17	03.04.17	31.05.17
Final	01.04.17	30.09.17	02.10.17	30.11.17

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

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

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

Euro Class 'A-H' Income shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	€	€	€	€
Interim	10.6740	21.5737	32.2477	19.1787
Final	12.1464	14.8844	27.0308	26.7091

Euro Class 'A-H' Accumulation shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	€	€	€	€
Interim	8.2569	13.2778	21.5347	20.4767
Final	6.3466	9.1994	15.5460	24.1669

Euro Class 'B-H' Income shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	€	€	€	€
Interim	7.1575	11.2641	18.4216	8.9602
Final	6.6065	8.8210	15.4275	13.6224

Euro Class 'B-H' Accumulation shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	€	€	€	€
Interim	3.0606	6.1047	9.1653	9.2418
Final	2.0482	3.6555	5.7037	10.4728

Euro Class 'C-H' Income shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	€	€	€	€
Interim	7.8879	26.5288	34.4167	24.9092
Final	9.1230	19.7592	28.8822	31.5693

Euro Class 'C-H' Accumulation shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	€	€	€	€
Interim	11.8638	15.8906	27.7544	25.9112
Final	8.7045	13.0256	21.7301	30.2017

Singapore dollar Class 'A-H' Accumulation shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	€	€	€	€
Interim	1.2278	10.6563	11.8841	11.1021
Final	2.3753	6.4328	8.8081	13.0765

Singapore dollar Class 'A-H M' Income shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	€	€	€	€
First interim	1.0990	2.2845	3.3835	1.4633
Second interim	2.3720	0.5518	2.9238	1.6523
Third interim	3.1429	0.0000	3.1429	1.9444
Fourth interim	1.1826	2.0970	3.2796	1.9803
Fifth interim	1.5205	1.2466	2.7671	2.2315
Sixth interim	0.9103	2.2059	3.1162	1.8713
Seventh interim	1.1868	1.1367	2.3235	1.7452
Eighth interim	1.2570	2.0197	3.2767	2.0372
Ninth interim	0.7742	1.8042	2.5784	2.3913
Tenth interim	1.5693	1.1507	2.7200	2.0439
Eleventh interim	1.1371	1.3989	2.5360	3.5323
Final	0.8457	1.1120	1.9577	3.1740

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25 Interest distribution tables (continued)

Singapore dollar Class 'C-H' Accumulation shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	¢	¢	¢	¢
Interim	14.6663	0.0000	14.6663	13.5699
Final	6.8532	4.9118	11.7650	15.8395

Sterling Class 'A' Income shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	p	p	p	p
Interim	1.4014	1.2547	2.6561	1.3024
Final	1.0584	1.2233	2.2817	1.8120

Sterling Class 'A' Accumulation shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	p	p	p	p
Interim	0.9756	1.2502	2.2258	1.7216
Final	0.6520	1.0074	1.6594	2.0336

Sterling Class 'I' Income shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	p	p	p	p
Interim	1.2042	1.4572	2.6614	1.5808
Final	1.0792	1.2125	2.2917	2.0068

Sterling Class 'I' Accumulation shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	p	p	p	p
Interim	1.1631	1.6538	2.8169	2.1556
Final	1.0630	1.2135	2.2765	2.5164

Sterling Class 'R' Income shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	p	p	p	p
Interim	1.2198	0.8464	2.0662	1.1204
Final	0.9814	0.7959	1.7773	1.4824

Sterling Class 'R' Accumulation shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	p	p	p	p
Interim	0.7620	0.7924	1.5544	1.1964
Final	0.5784	0.6336	1.2120	1.4024

Sterling Class 'X' Income shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	p	p	p	p
Interim	1.3838	1.2683	2.6521	1.1668
Final	1.3579	0.9202	2.2781	1.7088

Sterling Class 'X' Accumulation shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	p	p	p	p
Interim	1.0578	1.0260	2.0838	1.5136
Final	0.9928	0.6302	1.6230	1.7976

Swiss franc Class 'A-H' Income shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	¢	¢	¢	¢
Interim	7.3057	13.1077	20.4134	12.2207
Final	7.9378	9.3267	17.2645	16.9751

Swiss franc Class 'A-H' Accumulation shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	¢	¢	¢	¢
Interim	4.6497	8.5260	13.1757	12.4502
Final	3.6352	6.0027	9.6379	14.6349

Swiss franc Class 'C-H' Income shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	¢	¢	¢	¢
Interim	7.3091	13.3335	20.6426	15.1163
Final	7.0313	10.4933	17.5246	19.0936

Swiss franc Class 'C-H' Accumulation shares

Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	¢	¢	¢	¢
Interim	5.4813	10.9368	16.4181	15.5779
Final	4.8436	8.1768	13.0204	17.9611

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25 Interest distribution tables (continued)

US dollar Class 'A-H' Income shares				
Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	¢	¢	¢	¢
Interim	7.9782	15.9362	23.9144	14.4412
Final	7.5243	13.8896	21.4139	19.8471

US dollar Class 'A-H' Accumulation shares				
Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	¢	¢	¢	¢
Interim	6.5017	8.7858	15.2875	14.8701
Final	4.8302	7.3025	12.1327	17.2569

US dollar Class 'A-H M' Income shares				
Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	¢	¢	¢	¢
First interim	1.9869	1.2436	3.2305	1.4875
Second interim	1.2901	1.3039	2.5940	1.6359
Third interim	3.0075	0.0000	3.0075	1.8877
Fourth interim	0.6870	2.5194	3.2064	1.9495
Fifth interim	1.2428	1.4935	2.7363	2.2328
Sixth interim	1.1350	1.9820	3.1170	1.7682
Seventh interim	1.1037	1.2243	2.3280	1.7312
Eighth interim	1.5473	1.7938	3.3411	2.0164
Ninth interim	0.9531	1.6107	2.5638	2.4417
Tenth interim	1.4315	1.2691	2.7006	2.0503
Eleventh interim	1.3840	1.1553	2.5393	3.2323
Final	0.7541	1.2388	1.9929	2.9956

US dollar Class 'C-H' Income shares				
Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	¢	¢	¢	¢
Interim	8.8345	15.6648	24.4993	18.0162
Final	13.8905	7.9847	21.8752	22.5900

US dollar Class 'C-H' Accumulation shares				
Interest distributions for the year to 30 September	Group 2		Group 1 & 2 Distribution	
	Income 2017	Equalisation 2017	2017	2016
	¢	¢	¢	¢
Interim	9.5061	9.9066	19.4127	18.6561
Final	5.8698	10.6413	16.5111	21.3787

M&G Optimal Income Fund

Financial statements and notes

Notes to the financial statements

Directors' statement

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

G W MACDOWALL }
L J MUMFORD } Directors

14 November 2017

M&G Optimal Income Fund

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 period ended 30 September 2017

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 (this requirement on the Depository applied from 18 March 2016) 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
14 November 2017

National Westminster Bank Plc
Trustee and Depository Services

M&G Optimal Income Fund

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 2017 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Shareholders together with the Balance Sheet, the accounting policies of the Company and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 30 September 2017 and of the net revenue and the net capital gains 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 including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

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 FRC's 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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

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 Financial Conduct Authority and the Instrument of Incorporation;
- 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; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

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 Collective Investment Schemes sourcebook of the Financial Conduct Authority rules 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 Authorised Corporate Director (ACD)

As explained more fully in the ACD's responsibilities statement, 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.

M&G Optimal Income Fund

Independent Auditor's Report

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

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.

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.

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.

Edinburgh
14 November 2017

Ernst & Young LLP
Statutory Auditor

M&G Optimal Income Fund

Other regulatory disclosures

Remuneration

In line with the requirements of the Undertakings for Collective Investment in Transferable Securities (UCITS) V, the Manager is subject to a remuneration policy which is consistent with the principles outlined in SYSC19E of the FCA Handbook (UCITS Remuneration Code).

The remuneration policies are designed to ensure that any relevant conflicts of interest can be managed appropriately at all times and that the remuneration of its staff is in line with the risk policies and objectives of the UCITS it manages. Further details of the remuneration policy applicable at an M&G Limited level can be found here: <http://www.mandg.com/en/corporate/about-mg/our-people/>.

The UCITS Remuneration Code applies in full for the first time for M&G's 2017 performance year. Quantitative remuneration disclosures will be made following completion of the 2017 performance year (the relevant data/information to make these disclosures will only be available at this time).

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.

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.

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.

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'.

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 pre-determined price at a future date. Futures are traded on a regulated exchange.

Gilts: Fixed income securities issued by the UK government.

Government bonds: Fixed income securities issued by governments, that normally pay a fixed rate of interest over a given time period, at the end of which the initial investment is repaid.

Hedging: A method of reducing unnecessary or unintended risk.

High water mark (HWM): The highest level that a fund's NAV (net asset value) has reached at the end of any 12-month accounting period.

High yield bonds: Fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better quality, ie higher-rated fixed income securities but have the potential for higher rewards. Default means that a company or government is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

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

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

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

Income shares: A type of share where distributions are paid out as cash on the payment date.

Income units: A type of unit where distributions are paid out as cash on the payment date.

Index tracking: A fund management strategy that aims to match the returns from a particular index.

Index-linked bonds: Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as inflation-linked bonds.

Inflation: The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation risk: The risk that inflation will reduce the return of an investment in real terms.

Initial public offering (IPO): The first sale of shares by a private company to the public.

Interest rate risk: The risk that a fixed income investment will lose value if interest rates rise.

Interest rate swap: An agreement between two parties to swap a fixed interest payment with a variable interest payment over a specified period of time.

Investment Association (IA): The UK trade body that represents fund managers. It works with investment managers, liaising with government on matters of taxation and regulation, and also aims to help investors understand the industry and the investment options available to them.

Glossary

Issuer: An entity that sells securities, such as fixed income securities and company shares.

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.

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.

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.

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.

Glossary

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.

Top-down investing: An investment approach that analyses economic factors, ie surveys the 'big picture', before selecting which companies to invest in. The top-down investor will look at which industries are likely to generate the best returns in certain economic conditions and limit the search to that area.

Total return: The term for the gain or loss derived from an investment over a particular period. Total return includes income (in the form of interest or dividend payments) and capital gains.

Treasuries: Fixed income securities issued by the US government.

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).

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.

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

