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M&G Global Dividend Fund

Annual Short Report May 2020
For the year ended 31 March 2020

59609_SR_310521

Fund information

The Authorised Corporate Director (ACD) of M&G Global Dividend Fund presents its Annual Short Report which contains a review of the fund's investment activities and investment performance during the period. The ACD's Annual Long Report and audited Financial Statements for M&G Global Dividend Fund, incorporating a Glossary of terms is available free of charge either from our website at www.mandg.co.uk/reports or by calling M&G Customer Relations on 0800 390 390.

From 31 July 2020, we will be publishing an annual value assessment delivered to investors in this fund, including an assessment of our charges and services, and how we compare to our competitors. This will be available at www.mandg.co.uk/investor/fund-prices-performance/annual-value-assessment/

ACD

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

Important information

On 8 April 2019 M&G Global Dividend Fund launched Sterling Class 'PP' Accumulation shares.

On 5 August 2019 M&G Global Dividend Fund launched Sterling Class 'PP' Income shares.

The World Health Organisation declared the COVID-19 outbreak a pandemic on March 11 2020.

Global financial markets have been reacting to the outbreak. All markets have incurred increased volatility and uncertainty since the onset of the pandemic.

The ACD has also noted the operational risks that are posed to the Company and its service providers due to global and local movement restrictions that have been enacted by various governments.

The COVID-19 pandemic is an unprecedented event and the eventual impact on the global economy and markets will largely depend on the scale and duration of the outbreak. The ACD will continue to monitor this situation.

Investment objective

The fund has three aims:

- To deliver an income stream that increases every year.
- To deliver a yield above that available from the MSCI ACWI Index over any five-year period.
- To deliver a higher total return (the combination of income and growth of capital) than that of the MSCI ACWI Index over any five-year period.

Investment policy

At least 70% of the fund is invested in a range of global equities. The fund may invest across a wide range of geographies, sectors and market capitalisations. The fund may also invest in collective investment schemes, other transferable securities, cash, near cash, other money market securities, warrants and derivatives. The fund's exposure to global equities may be gained through the use of derivatives. Derivatives may be used for efficient portfolio management.

Investment approach

The fund manager employs a bottom-up stockpicking approach, driven by the fundamental analysis of individual companies. The fund manager seeks to invest in companies with excellent capital discipline and the potential for long-term dividend growth. The fund manager believes rising dividends create upward pressure on the value of shares. Dividend yield is not the primary consideration for stock selection.

The fund manager aims to create a diversified portfolio with exposure to a broad range of countries and sectors. The fund manager selects stocks with different drivers of dividend growth to construct a portfolio that has the potential to cope in a variety of market conditions. The Fund invests with a long-term view of typically three to five years. When attempting to grow distributions, the fund manager's main focus is on delivering an increase in sterling terms.

Fund information

Benchmark

Benchmark: MSCI ACWI Index.

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

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

Risk profile

The fund invests globally in the shares of companies and is, therefore, subject to the price volatility of the global stockmarket and the performance of individual companies. The fund may also be subject to fluctuations in currency exchange rates. The fund's focus is on shares of companies that have the potential to grow their dividends over the long term. Income distributions from the fund's holdings, however, are not guaranteed and may vary. Diversification across industries and market capitalisation is key in managing liquidity risk and reducing market risk. The fund's risks are measured and managed as an integral part of the investment process.

Please note that the risk management policies are set out in full in the financial statements and notes section of the Annual Long Report and audited Financial Statements for M&G Global Dividend Fund.

Investment review

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

Low risk — High risk

Typically lower rewards — Typically higher rewards

1	2	3	4	**5**	6	7

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 1 April 2020 for the year ended 31 March 2020

Distribution summary

Over the 12-month review period to 1 April 2020, the fund distributed income of 7.0893 pence per Sterling Class 'A' (Income) share. This is 10.6% higher than the distribution for the same period in the previous financial year. The payout represented a yield (distributed income as a percentage of the share price as at 1 April 2020) of 4.35% versus a yield of 2.99% for the MSCI ACWI Index, the fund's target benchmark.

We are pleased that the distribution for the fund has risen compared to last year and we are encouraged that most of our holdings continue to deliver dividend growth in the region of 5% to 15%, in line with previous years. (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.)

The fund benefited from dividend increases from a variety of sectors and countries.

In healthcare, Johnson & Johnson raised its dividend by 6% and extended its track record of consecutive growth to 57 years. Bristol-Myers Squibb reported a 10% dividend increase, while UnitedHealth boosted its payment by 20% for the third straight year.

In consumer staples, Imperial Brands and Unilever lifted their dividends by 10% and 6%, respectively.

Dividend growth was by no means confined to companies with defensive characteristics. (Defensive stocks are companies that tend to have stable earnings and are less affected by peaks and troughs in the economy.)

In so-called cyclical sectors which have greater economic sensitivity than their defensive counterparts, Methanex raised its dividend by 9%. The methanol producer's dividend track record is exemplary for a cyclical business. Keyera reported a 7% increase in energy, while Gibson Energy reported a higher dividend for the first time in four years. Martin Marietta, a US building materials company, accelerated its pace of dividend growth to 15%, up from 9% in the previous year. Epiroc delivered a double-digit increase in industrials.

Financials were also generous with their cash returns to shareholders, particularly US banks. JPMorgan Chase and Wells Fargo raised their dividends by more than 10%. Singaporean bank DBS Group, and Hong Kong-listed insurer AIA increased their payments by a similar magnitude.

Technology was home to the biggest dividend hikes. Taiwan Semiconductor Manufacturing Company (TSMC) and Tokyo Electron boosted their dividends by more than 20% in the semiconductor industry, while Visa reported a 20% increase in the digital payments segment.

Not all of our holdings delivered growth, however. A handful of companies, including Standard Life Aberdeen, held their dividend flat, which is short of our expectations. That said, the asset manager is buying back stock – a sensible exercise, in our view, given the current circumstances. We believe that reducing the number of shares at these distressed levels – the dividend yield is currently 12% – is an effective way of creating value for shareholders.

Pandora, the Danish jewellery company, was responsible for the only dividend cut during the period. A dividend cut should never be taken lightly, but in this instance, the decision to skew cash distributions from dividends to share buybacks is a sensible plan, in our view, given the distressed valuation of the stock. Rebalancing cash distributions was our favoured course of action and we are pleased that our engagement with the company has led to a pragmatic solution – which we believe will benefit all shareholders over the long term. The business will be much better placed to grow the dividend sustainably from this lower base.

Aside from these disappointments, dividend growth was solid across the portfolio and the fund increased the distribution, while maintaining a yield above that of the MSCI ACWI Index. We are very aware that the combination of a premium yield and rising income is important to many of our investors. We remain focused on meeting this objective.

The fund's distribution and yield are shown in the 'Specific share class performance' tables in this report. The distribution is subject to a variety of influences, including changes in the market environment, movements in currency and changes in the fund's tax status. Consequently, there is no guarantee that the fund will increase the income stream in every reporting period.

Investment review

Performance against objective

Between 1 April 2019 (the start of the review period) and 1 April 2020, the M&G Global Dividend Fund delivered a negative total return (the combination of income and growth of capital) across all its share classes. The fund's performance over the 12-month period was behind the MSCI ACWI Index which returned -10.1% in sterling. The fund's success in meeting its objective over this short timeframe was mixed. The fund fell short on the objective of outperforming the MSCI ACWI Index, but delivered on its income objectives of increasing the income stream and providing a higher yield than the MSCI ACWI Index.

Over five years, the fund's sterling share classes have delivered positive total returns, albeit behind the MSCI ACWI Index which returned 6.3% p.a. in sterling. Distributions have increased in each financial year during this time and the fund's yield has been at a consistent premium to the index. Consequently, the fund has achieved two of its three objectives over this longer timeframe.

* For the performance of each share class, please refer to the 'Long-term performance by share class' table in the 'Fund performance' section of the Annual Long Report and audited Financial Statements for M&G Global Dividend Fund.

To give an indication of the performance of the fund, the following table shows the compound rate of return, per annum, over the period for Sterling Class 'A' (Accumulation) shares. Calculated on a price to price basis with income reinvested.

Long-term performance

	One year 01.04.19 % [a]	Three years 03.04.17 % p.a.	Five years 01.04.15 % p.a.	Since launch % p.a.
Sterling [b]				
Class 'A'	-20.0	-3.9	+2.7	+7.7 [c]
MSCI ACWI Index [d]	-10.1	+1.0	+6.3	+8.9 [c]

[a] Absolute basis.

[b] Price to price with income reinvested.

[c] 18 July 2008, the launch date of the fund.

[d] Benchmark prior to 1 January 2012 was the FTSE World Index. Thereafter it is the MSCI ACWI Index.

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.

Investment performance

Stockmarkets around the world declined during the past 12 months following an abrupt downturn towards the end of the review period. Markets rose for most of the period, reaching all-time highs in February, before falling sharply as the spread of the coronavirus heralded the prospect of an imminent recession. Emerging markets led the declines, closely followed by Asia Pacific ex Japan. Europe underperformed, not helped by the weakness of the UK. Japan and the US held up best, benefiting from the safe-haven status of their currencies.

Sector performance reflected the market's preference for safety. Healthcare ended the review period with a positive return, while utilities and consumer staples proved resilient. Technology delivered the highest return as the likes of Apple and Microsoft rallied. At the other end of the spectrum, cyclical stocks such as financials and materials were out of favour. Energy stood out among the laggards as a lower oil price took its toll.

Against this backdrop, the fund trailed the MSCI ACWI Index as energy-related stocks weighed on performance. Methanex, Keyera and Gibson Energy were prominent among the top detractors as these holdings became embroiled in a broader sector malaise. The sell-off in energy-related stocks, which intensified during the market reversal in March, was remarkable not only for its indiscriminate nature, but more notably the speed and severity of the share price declines. Methanex came off worst in a difficult environment for methanol, followed by the pipeline companies Keyera and Gibson Energy. The pipeline stocks had performed well until the end of February, outperforming in 2019 and continuing the trend into the first two months of 2020, but did not escape unscathed in March.

The weakness in energy stemmed from concerns about both sides of the supply/demand equation. Oil supply is on the increase after Saudi Arabia took steps to ramp up production, while demand is under pressure, most recently from COVID-19 and the paralysis it has inflicted on economic activity.

We continue to have confidence in Methanex given its dominance in a long-term growth market and the distressed valuation which remains on a significant discount to its replacement cost of assets. Keyera and Gibson Energy are still core holdings. Unlike oil & gas producers, the cashflows generated by pipeline businesses have limited direct exposure to the underlying commodity price, but the negative sentiment has infiltrated all areas of the energy industry. The current situation has parallels with 2015 before the sector recovered strongly in 2016.

Trinseo was another victim of the market's scepticism towards cyclical businesses. The US materials company specialising in plastics, latex binders and synthetic rubber reported results which reflected tough trading conditions, and its guidance for 2020 fell short of expectations. Cash generation remains robust, however, and the free cashflow yield is extremely compelling.

Imperial Brands was an outlier among our holdings in defensive sectors. The consumer staples stock has been under pressure after the tobacco company cut its revenue guidance, citing challenging conditions in the US vaping market. The chief executive has since stepped down and been replaced. The slowdown in US vaping was not a complete surprise to us given the well-documented levels of regulatory scrutiny, but other investors were unforgiving. The share price reaction has been overdone, in our view, and the stock offers exceptional value on a dividend yield of more than 10%. We continue to engage with the company to ensure the best outcome for shareholders.

Our other holdings in consumer staples fared considerably better. Colgate-Palmolive and PepsiCo outperformed in a falling market, backed by solid fundamentals. Both companies continued to deliver operational progress in 2019.

Our healthcare holdings also benefited from the market's scramble for safety, but stock selection also played its part. Roche and Bristol-Myers Squibb delivered positive returns which were significantly ahead of the sector overall.

Stock selection also added value in a buoyant technology sector. Microsoft made the biggest positive contribution to performance during the review period as the software company continued to report better-than-expected results. Tokyo Electron and ASML made sizeable gains in the semiconductor industry.

Investment activities

It was a busy year in terms of activity as we took steps to refresh the portfolio with new ideas. We also took advantage of buying opportunities during the phase of market volatility late in the review period. We made 15 new purchases and 16 complete sales during the past 12 months – a level of turnover which remains consistent with our investment timeframe of three to five years.

The fund's overweight position in consumer staples increased with three new purchases: Danone, Colgate-Palmolive and Treasury Wine Estates. Unilever was sold as a source of cash.

Healthcare ended the year with a higher weighting after we added Anthem and Bristol-Myers Squibb. We sold the small holding in Alcon which was spun out of Novartis. The fund remains overweight in the sector.

Technology maintained its overweight position after ADP and KLA joined the portfolio during the market downturn in February and March. Broadcom, Lam Research and ASML – all semiconductor stocks – exited the portfolio with substantial profits.

Consumer discretionary was another area of activity with three new purchases: Lowe's, a US home improvement retailer, alongside Richemont and LVMH in luxury goods. Starbucks and Las Vegas Sands made way after strong performance.

The weighting in industrials declined following the sale of Union Pacific, Kone, Siemens and Epiroc B. Vinci was the only new addition in the sector.

The fund's financials exposure was lower after we sold three banks: US Bancorp and Wells Fargo in the US, as well as Singapore's DBS Group. The fund is meaningfully underweight in banks, but overweight in insurance following the purchase of Travelers.

Walt Disney (communication services) and Martin Marietta (materials) were the other new purchases. Neste was bought and sold during the review period after the shares bucked the trend in a weak energy sector. We also disposed of Pembina Pipeline early in the review period after the shares performed well.

The number of holdings was 43 at the end of the review period, compared to our traditional range of 45 to 50. Our cap remains 50 to ensure that every stock in the portfolio undergoes the detailed analysis we require. We want each holding to make a difference, with conviction behind each idea.

Outlook

Stockmarkets have been rattled by the pandemic and the ensuing uncertainty, but the sharp declines in share prices are creating some great buying opportunities, in our view. We are taking advantage of the situation with decisive action. The opportunity is most apparent in companies with the strongest growth characteristics where premium growth is available at realistic prices. The situation is reminiscent of 2016 when we invested in the likes of MasterCard and Nike following a series of indiscriminate sell-offs. These stocks subsequently delivered strong performance for the fund and we are optimistic that our actions today will lead to similar outcomes in the years ahead.

Despite the lack of visibility in the short term, it is our strong belief that any market recovery is likely to be significant and quick. Missing out on this initial snapback will have major consequences for investors' long-term returns. We are positioning the portfolio accordingly.

We are also mindful of the reality that dividends will be tested in 2020. Dividends are under political pressure, as many banks are discovering, and it would be reasonable to expect more dividend cuts, if not dividend eliminations, as the year progresses. Being selective will be paramount.

Balance sheet strength is therefore a key consideration in our company research to ensure that dividends are sustainable in the current climate. We take comfort from the fact that many of our holdings are carrying net cash. We will not be immune to dividend cuts, but we have an established process to deal with those scenarios to deliver a favourable outcome for our clients.

We continue to believe that the majority of our holdings can sustain dividend growth in the 5% to 15% range, in line with previous years, and that the fund is well placed to build on its track record of providing a rising income stream. The abundance of growth in the portfolio also bodes well for capital growth over the long term. We are confident about the prospects ahead.

Stuart Rhodes
Fund manager

An employee of M&G FA Limited (formerly 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.

Portfolio statement

as at 31 March Holding		2020 £'000	2020 %	2019 %
	EQUITIES	1,641,654	97.31	98.77
	United Kingdom	**234,630**	**13.91**	**12.44**
8,397,410	Imperial Brands	127,573	7.56	
6,198,931	St. James's Place	46,802	2.78	
26,312,161	Standard Life Aberdeen	60,255	3.57	
	Denmark	**35,711**	**2.12**	**1.77**
1,359,381	Pandora	35,711	2.12	
	Finland	**0**	**0.00**	**1.59**
	France	**75,158**	**4.45**	**0.00**
889,091	Danone	45,850	2.72	
41,305	LVMH Moet Hennessy Louis Vuitton	12,575	0.74	
262,159	Vinci	16,733	0.99	
	Germany	**0**	**0.00**	**2.14**
	Netherlands	**0**	**0.00**	**1.44**
	Norway	**314**	**0.02**	**0.23**
3,981,819	Prosafe	314	0.02	
	Sweden	**10,238**	**0.61**	**0.87**
1,319,410	Epiroc	10,238	0.61	
	Switzerland	**127,780**	**7.57**	**6.74**
345,000	Novartis	22,599	1.34	
649,723	Richemont	28,569	1.69	
291,533	Roche	76,612	4.54	
	United States	**816,150**	**48.38**	**48.43**
200,656	Anthem	37,430	2.22	
895,374	Arthur J. Gallagher & Co	60,218	3.57	
338,692	Automatic Data Processing	37,734	2.24	
1,188,436	Bristol-Myers Squibb	52,295	3.10	
1,229,758	Cisco Systems	40,105	2.38	
497,219	Colgate-Palmolive	26,783	1.59	
123,005	Constellation Brands	14,585	0.86	
100,427	Johnson & Johnson	10,797	0.64	
264,311	JPMorgan Chase	19,983	1.18	
113,854	KLA	13,766	0.82	
678,654	Lowe's	48,695	2.89	
237,397	Martin Marietta Materials	34,471	2.04	
623,787	Medtronic	46,454	2.75	
5,658,642	Methanex	55,577	3.29	
673,228	Microsoft	87,309	5.18	
376,627	PepsiCo	38,246	2.27	
131,252	Travelers	10,892	0.65	
3,435,645	Trinseo	52,033	3.08	

Portfolio statement (continued)

as at 31 March Holding		2020 £'000	2020 %	2019 %
	United States (continued)			
142,297	UnitedHealth	28,911	1.71	
571,340	Visa	76,504	4.54	
289,406	Walt Disney	23,362	1.38	
	Canada	**122,220**	**7.24**	**10.01**
11,253,492	Gibson Energy	93,380	5.53	
4,362,348	Keyera	28,840	1.71	
	Japan	**46,744**	**2.77**	**1.90**
309,500	Tokyo Electron	46,744	2.77	
	Australia	**74,346**	**4.41**	**2.95**
8,028,020	Amcor	51,526	3.06	
4,660,729	Treasury Wine Estates	22,820	1.35	
	Hong Kong	**43,260**	**2.56**	**1.84**
5,909,327	AIA	43,260	2.56	
	Singapore	**0**	**0.00**	**1.74**
	South Korea	**16,672**	**0.99**	**1.49**
525,363	Samsung Electronics	16,672	0.99	
	Taiwan	**21,114**	**1.25**	**1.06**
2,891,000	Taiwan Semiconductor Manufacturing	21,114	1.25	
	South Africa	**17,317**	**1.03**	**2.13**
7,696,987	Imperial Logistics	9,286	0.55	
6,783,644	Motus	8,031	0.48	
Portfolio of investments		**1,641,654**	**97.31**	**98.77**
	CASH EQUIVALENTS	**35,590**	**2.11**	**0.58**
	'AAA' rated money market funds [a]	**35,590**	**2.11**	**0.58**
35,590,000	Northern Trust Global Fund - Sterling	35,590	2.11	
Total portfolio		**1,677,244**	**99.42**	**99.35**
Net other assets		**9,705**	**0.58**	**0.65**
Net assets attributable to shareholders		**1,686,949**	**100.00**	**100.00**

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

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

Top ten portfolio transactions

for the year to 31 March 2020

Largest purchases	£'000
Lowe's	60,482
Danone	59,285
Bristol-Myers Squibb	56,698
Imperial Brands	50,279
Martin Marietta Materials	45,171
Walt Disney	44,530
Richemont	41,604
Anthem	40,833
Automatic Data Processing	38,116
Visa	37,551
Other purchases	334,453
Total purchases	**809,002**

Largest sales	£'000
Microsoft	67,775
Broadcom	67,590
Novartis	66,832
Las Vegas Sands	54,980
Siemens	54,272
UnitedHealth	50,281
Arthur J. Gallagher & Co	49,984
ASML	49,511
Unilever	44,348
Wells Fargo	43,654
Other sales	601,184
Total sales	**1,150,411**

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

Financial highlights
Fund performance

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

The following charts and tables reflect the key financial information of a representative share class, Sterling Class 'A' (Accumulation) shares. As different share classes have different attributes, for example charging structures and minimum investments, please be aware that their performance may be different. For more information on the different share classes in this fund please refer to the Prospectus for M&G Global Dividend Fund, which is available free of charge either from our website at www.mandg.co.uk/prospectuses or by calling M&G Customer Relations.

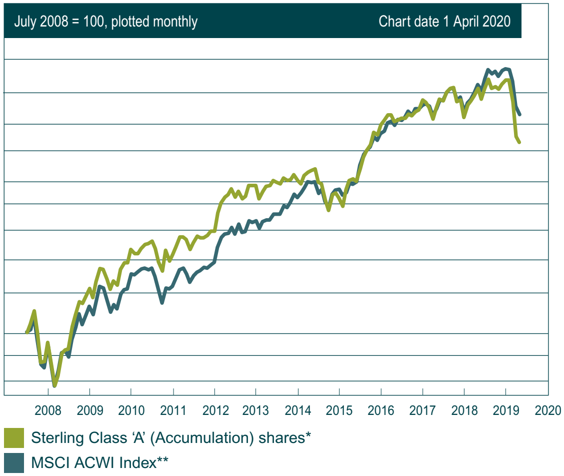
Fund level performance

Fund net asset value

as at 31 March	2020 £'000	2019 £'000	2018 £'000
Fund net asset value (NAV)	1,686,990	2,403,771	5,912,060

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.



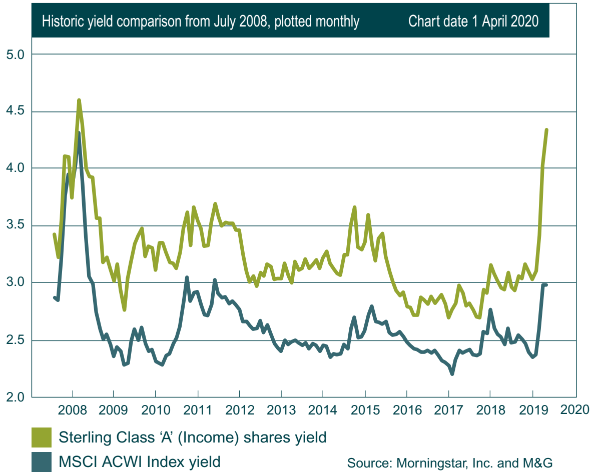
* Income reinvested

** Benchmark prior to 1 January 2012 was the FTSE World Index. Thereafter it is the MSCI ACWI Index.

Source: Morningstar, Inc. and M&G

Historic yield

The chart below shows the historic yield of Sterling Class 'A' (Income) shares against that of a comparator benchmark.



Historic yield: The historic yield reflects distributions declared over the past twelve months as a percentage of the mid-market price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions.

Distribution over ten years

The chart below shows the annual distribution of Sterling Class 'A' (Income) shares over 10 years.

Financial highlights

Operating charges and portfolio transaction costs

To give an indication of how the fund has performed during the period the table below shows the performance of Sterling Class 'A' (Accumulation) shares.

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.

Historic yields for the current year are calculated as at 9 April 2020.

Sterling Class 'A' Accumulation share performance

The share class was launched on 18 July 2008.

for the year to 31 March Change in NAV per share	2020 UK p	2019 UK p	2018 UK p
Opening NAV	296.42	266.91	270.48
Return before operating charges and after direct portfolio transaction costs	(46.30)	34.35	0.96
Operating charges	(4.49)	(4.84)	(4.53)
Return after operating charges	(50.79)	29.51	(3.57)
Distributions	(5.68)	(4.11)	(3.54)
Retained distributions	5.68	4.11	3.54
Closing NAV	245.63	296.42	266.91
Direct portfolio transaction costs	**UK p**	**UK p**	**UK p**
Costs before dilution adjustments	0.22	0.12	0.14
Dilution adjustments [a]	(0.03)	(0.06)	(0.03)
Total direct portfolio transaction costs	0.19	0.06	0.11
Performance and charges	**%**	**%**	**%**
Direct portfolio transaction costs [b]	0.06	0.02	0.04
Operating charges [c]	1.46	1.66	1.66
Return after operating charges	-17.13	+11.06	-1.32
Historic yield	2.18	1.34	1.30
Effect on yield of charges offset against capital	0.00	0.01	0.01
Other information			
Closing NAV (£'000)	206,764	265,988	340,501
Closing NAV percentage of total fund NAV (%)	12.26	11.06	5.76
Number of shares	84,178,803	89,734,481	127,571,447
Highest share price (UK p)	332.36	311.25	295.10
Lowest share price (UK p)	224.36	264.49	258.61

[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.

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

Operating charges

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

- **Annual charge:** Charge paid to M&G covering the annual cost of M&G managing and administering the fund and the costs of third parties providing services to the fund. From 1 August 2019, this charge rolls all costs that make up the operating charges into one annual charge.

  For every £1 billion of a fund's net asset value, a discount of 0.02% will be applied to that fund's annual charge (up to a maximum of 0.12%).

- **Extraordinary legal and tax expenses:** Costs that specifically relate to legal or tax claims that are both exceptional and unforeseeable. Such expenses are uncommon, and would not be expected in most years. Although they result in a short-term cost to the fund, generally they can deliver longer term benefits for investors.

- **Investment management:** Charge paid to M&G for investment management of the fund. From 1 August 2019 this charge forms part of the annual charge.

- **Administration:** Charge paid for administration services in addition to investment management – any surplus from this charge will be retained by M&G. From 1 August 2019 this charge is rolled into the annual charge.

- **Oversight and other independent services:** Charges paid to providers independent of M&G for services which include depositary, custody and audit. From 1 August 2019 these charges will be paid by M&G and rolled into the annual charge.

- **Ongoing charges from underlying funds:** Ongoing charges on holdings in underlying funds that are not rebated. From 1 August 2019 charges from underlying funds (excluding Investment Trust Companies and Real Estate Investment Trusts) will be rebated.

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

Once the annual charge has been operational for twelve months, operating charges will be in line with the ongoing charges shown in the Key Investor Information Document, other than where there have been extraordinary legal or tax expenses, or an estimate has been used for the ongoing charge because a material change has made the operating charges unreliable as an estimate of future charges.

Portfolio transaction costs

Portfolio transaction costs are incurred by funds when buying and selling investments. These costs vary depending on the types of investment, their market capitalisation, country of exchange and method of execution. They are made up of direct and indirect portfolio transaction costs:

- **Direct portfolio transaction costs:** Broker execution commission and taxes.
- **Indirect portfolio transaction costs:** 'Dealing spread' – the difference between the buying and selling prices of the fund's investments; some types of investment, such as fixed interest securities, have no direct transaction costs and only the dealing spread is paid.

Investments are bought or sold by a fund when changes are made to the investment portfolio and in response to net flows of money into or out of the fund from investors buying and selling shares in the fund.

To protect existing investors, portfolio transaction costs incurred as a result of investors buying and selling shares in the fund are recovered from those investors through a 'dilution adjustment' to the price they pay or receive. 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 31 March Direct portfolio transaction costs [b]	2020 %	2019 %	2018 %	Average [a] %
Broker commission	0.03	0.02	0.03	0.02
Taxes	0.04	0.02	0.02	0.03
Costs before dilution adjustments	0.07	0.04	0.05	0.05
Dilution adjustments [c]	(0.01)	(0.02)	(0.01)	(0.01)
Total direct portfolio transaction costs	0.06	0.02	0.04	0.04
as at 31 March **Indirect portfolio transaction costs**	**2020** **%**	**2019** **%**	**2018** **%**	**Average [a]** **%**
Average portfolio dealing spread	0.18	0.08	0.09	0.12

[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.