

1 April 2019 to 31 March 2020

**M&G Investment Funds**

# Annual Value Assessment Report

**M&G**  
INVESTMENTS

# Overview from the Board of M&G Securities Limited

M&G's purpose is to help people manage and grow their savings and investments. This report – the first annual assessment of the value provided to investors in each of M&G's UK-based funds – is designed to help you to see whether M&G's charges are justified in the context of the overall service it delivers.

This Value Assessment exercise is not undertaken by the fund managers themselves. It has been undertaken and prepared by the Board of M&G Securities Limited (MGSL), which is the Authorised Corporate Director (ACD) of M&G Investment Funds. It has always been our responsibility, as the Board of MGSL, to think and act on your behalf, to ensure your interests are being well served – and Value Assessment is a new and welcome opportunity for us to show you how we do this. Two members of our Board are independent non-executive directors and, of the remaining directors, none are M&G fund managers.

## How we have approached Value Assessment

In this report, we have objectively evaluated the value provided to you by M&G funds according to seven criteria set out by the Financial Conduct Authority (FCA). The FCA does not specify how investment managers should assess value against these criteria or the way their conclusions should be presented, meaning that there will be some differences between our approach and that of other investment managers, which may make direct comparisons difficult.

We asked some M&G customers what they wanted to see in a Value Assessment report and what they thought of our approach. The report below reflects their feedback, and our best efforts to present what has been a very thorough analysis in a useful and fair way. Our customers told us they wanted us to be honest about what we could do better, and we have listened to them, including "Where can we improve" sections by criteria for each fund, setting out any issues which have been identified and the actions being taken to address them.

As a Board, our approach in addressing issues has been to start by investigating the reasons behind them, and

what work is taking place to address them so that we improve value for our investors. In all cases where issues have been identified, we will be monitoring progress very closely and we will report on this progress in the next annual Value Assessment report, or even sooner if we consider it appropriate.

As important as resolving any issues in the coming months, the Board will also continue our efforts to ensure funds which are delivering good value to investors continue to do so.

## Action already taken to improve value

From the 1954 introduction of the M&G Thrift Plan, the first service enabling UK investors to make small monthly contributions into an investment pot, to calling time on fund entry and exit charges a few years ago, M&G has always looked for new ways to improve value for its customers. This year has been no exception, with a number of changes made to help investors.

Firstly, M&G has invested in improving the quality of service delivered to those of you who choose to invest directly with M&G. We are glad that this is already bearing fruit. M&G is among only a small number of asset managers which still offer a direct investment service to retail customers in the UK and is committed to ensuring that investing directly remains an attractive way to invest in M&G funds.

Secondly, we are pleased to report that last year M&G became one of the first asset managers to pass on cost savings to investors in our larger UK-based funds. Put simply, economies of scale can emerge when a fund grows, making it more profitable to manage. We believe sharing these savings with you is the right thing to do.

Thirdly, in August 2019, M&G introduced a new, simpler annual charge for our funds. As part of this change, M&G realigned fees across its range of UK-based funds to ensure charging consistently reflected all the costs involved in managing a fund and delivering a good service. Charges were cut, significantly in some cases, meaning many investors can now enjoy greater potential returns over the years ahead.

While these steps are very welcome, the Board is pleased to see that further in-depth work on how to improve the long-term value M&G delivers is progressing well. We look forward to reporting on this in our next Value Assessment report, if not sooner.

Efforts to ensure investor value have not only been reflected in new initiatives. Our decision to suspend dealing in the M&G Property Portfolio in December 2019 was a difficult one, but it was taken in the best long-term interests of our customers. That said, we know how frustrating it has been for investors, as being able to buy and sell units in a fund is an important aspect of the service offered. This is why M&G has waived 30% of its annual charge for the M&G Property Portfolio during suspension. We, the Board of MGSL, continue to monitor the suspension closely, but are satisfied that the action taken has, in the circumstances, been to the benefit of investor value.

## Fund performance, including the impact of COVID-19

By the very nature of fund management, investment returns cannot be guaranteed. The very sharp fall in valuations in almost all markets and asset classes in the first three months of 2020, precipitated by the coronavirus pandemic, were a keen reminder of this.

The reference date of 31 March 2020 for this Value Assessment was chosen many months ago, in order to align performance reporting as closely as possible with the data in many investors' regular valuation statements in April. It is a coincidence that the reference date marked the end of the worst month for global markets in a decade, but it has not flattered many of the fund performance numbers in this report.

While we cannot control markets, we nevertheless work hard to ensure that M&G funds are set up appropriately to meet their long-term objectives and deliver value to all investors. Some of our funds – despite the recent effects of the global pandemic – have met their objectives and delivered excellent outcomes to their investors.

At the same time, we are disappointed that in some cases M&G funds have not delivered the investment outcomes we would want to all their investors. We know how frustrating this is for customers. The Board has

conducted thorough reviews of those funds with the respective investment teams. While we have been reassured that most of these funds are appropriately structured to meet their objectives going forward – and, in the case of ten funds, have seen new fund managers or co-fund managers in the reporting period – we will be closely scrutinising the investment performance delivered over the coming months.

In the case of two funds that have consistently underperformed for investors for some time, we have determined that fresh action must be taken by M&G to deliver improved outcomes. We will update investors on the progress that has been made in the next annual Value Assessment report, or sooner if appropriate.

## Your feedback

As this is our first Value Assessment, we are keen to improve this report for next year. If you have any comments on the report, or suggestions on how we could make it more useful for you, please contact us in the way you normally would.

On behalf of the Board I would like to thank the many people at M&G and independent providers who have dedicated great time and effort into researching, analysing and summarising huge amounts of data covering every aspect of M&G funds for this first Value Assessment.

What has particularly impressed us is the unflinching commitment shared by everyone involved to establishing a picture of the value delivered by M&G funds that is as accurate as possible, and the openness and willingness of M&G teams to tackle improvements that we have together identified. It has been a demanding, yet positive process which we believe can only deliver better long-term value for our customers.



**Laurence Mumford**  
Chair of M&G Securities Limited,  
on behalf of the MGSL Board

### Directors of the MGSL Board (the Authorised Corporate Director of M&G's UK-based funds)

Carolán Dobson (independent non-executive director), Neil Donnelly, Sean Fitzgerald, Phil Jelfs, Michelle McGrade (independent non-executive director), and Laurence Mumford.

## How to use this report

This Report reflects our assessment of the value delivered to investors in M&G's wide range of funds over the assessment period. Our analysis for each fund is listed in alphabetical order. Rather than scrolling through this document, you can navigate to the fund that you are interested in by simply clicking on that fund name on the 'Contents' page.

## How M&G assesses value

We have developed our own methodology for each of the criteria, based on objective and rigorous analysis of what we consider to be the most relevant metrics of value. We have used a combination of external and internal information in the process, which is explained in more detail in the appendix of this report.

It is important to note that every M&G fund typically has several share classes, each offering different levels of service to different groups of investors. Since we have assessed value by the share class of each fund, this report will be much more useful if you know which one(s) you own.

The 'scores' awarded for each criteria together determine an overall rating for that respective share class of a fund. The criteria do not carry equal importance. More weight has been attached to fund performance and, to a lesser extent, quality of services, based on what investors have told us they consider most important in customer testing and surveys. The other five criteria are given equal weighting.



### Quality of services

We consider the quality of each service delivered to our investors. Key services include not only those directly supporting investors, but also those vital to the good running of our funds.



### Investment performance

We measure investment performance against all the stated objectives of a fund, and against its comparator, to evaluate whether value has been delivered over an appropriate time period.



### Costs of the Authorised Fund Manager (AFM)

We assess the overall costs of the AFM, in relation to the overall charges paid by investors, for the full range of UK-based funds. Conclusions are common across all funds and share classes.



### Economies of scale

We assess the extent to which any savings arising from the scale of a fund are reflected in value for our investors.



### Comparable market rates

We compare the charges for each of our funds to those of competitors in the same sector, to ascertain whether relative value is being offered to our investors.



### Comparable M&G services

We compare the charges for each of our funds to those of similar funds and mandates managed by M&G, to ascertain whether relative value is being offered to investors.



### Share classes

We analyse who invests in the share classes of each fund, and evaluate whether our investors are in the most appropriate share class.

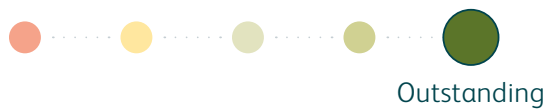
To reflect the different characteristics of each of the criteria, and the different metrics of value, we have developed an in-house set of rules that allows us to translate our assessment into a relative rating on a five-point scale.

## Our value rating scale

Throughout this Report, we have summarised our conclusions according to the following five-point scale.

This reflects an underlying score that has been awarded to each share class for each of the criteria.

These are combined to create an overall rating for each share class of a fund.



Where a fund has delivered exceptional value to its investors



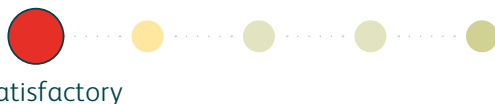
Where a fund has delivered above-average value to its investors



Where a fund has delivered value to its investors overall, with only minor exceptions if any



Where a fund has not delivered value to all of its investors, falling short of expectations in certain areas, and where the Board is paying close scrutiny



Where a fund has not delivered value to all of its investors, and where the Board has determined that steps must be taken by M&G to improve value

## What you need to know

When it comes to this Value Assessment, there are two important pieces of information to know:

1. **Your fund name**  
– the “M&G Optimal Income Fund”, for example
2. **Your share class**  
– this is a letter, such as “A”, “I”, “R”, etc

You do not need to know whether you hold “accumulation” (Acc) or “income” (Inc) units in any given fund. This is because our assessment for each fund and share class captures both.

## How to check your M&G holdings

- If you invest directly with M&G using our postal and phone-based service, or have invested through an adviser, details of your holdings will be on your latest half-yearly statement. If you can't find this paperwork, please give us a call and we will be happy to help
- If you invest directly through our online-based service, myM&G, you can log in to find details of your holdings
- If you invest in M&G funds through an online platform, you should be able to find details of your holdings on your online account

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# M&G Absolute Return Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While the fund has not achieved its performance target in challenging market conditions, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	0.80%	●	●	●	●	●	●	●	●
Sterling I	0.60%	●	●	●	●	●	●	●	●
Sterling PP	0.50%	●	●	●	●	●	●	●	●
Sterling L	0.50%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to achieve a total return (the combination of income and capital growth) of at least 2.5% per annum above the 3-month GBP LIBOR rate, before any charges are taken, in any market conditions and over any three-year period. LIBOR is the rate at which banks borrow money from each other.

The fund aims to achieve this while seeking to minimise the degree to which the value of the fund fluctuates over time (volatility), while also seeking to limit monthly losses. Managing the fund in this way reduces its ability to achieve returns significantly above 3-month GBP LIBOR plus 2.5%.

There is no guarantee that the fund will achieve a positive return over three years, or any other period, and investors may not get back the original amount they invested.

The fund has not met its objectives, based on returns net of fees, over the three-year period ending 31 March 2020, and is therefore rated as “must improve”. (Note that while the fund objective is gross of fees, we have considered returns net of fees across all funds in this Value Assessment.)

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-3.2%	0.0%	–
Sterling I	-3.0%	0.2%	–
Sterling PP	-2.9%	0.2%	–
Sterling L	-2.9%	0.3%	–
3-month GBP LIBOR + 2.5%	3.4%	3.2%	3.1%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve
Sterling L	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The sell-off in corporate bond markets in March 2020 was unprecedented, both in its speed and scale. As a result of these dramatic market moves, the fund lagged its target benchmark over the 12 months to the end of March 2020. It is also now behind the target since its launch in December 2016, having been slightly ahead prior to the market downturn.”

**Outlook:** “We believe that corporate bonds are trading at highly attractive values after the sell-off in March 2020, presenting a wealth of opportunities for long-term investors willing to weather some volatility. While the number of companies defaulting on their bonds is expected to rise, markets have been pricing in default rates several times larger than anything seen historically. We believe the fund’s flexible and diversified investment approach will leave it well placed to navigate this uncertain environment.”

Jim Leaviss and Wolfgang Bauer, M&G Absolute Return Bond Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good

## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Asian Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While its performance target has not been achieved, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward, with the new fund management team. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.45%	●	●	●	●	●	●	●	●
Sterling X	1.45%	●	●	●	●	●	●	●	●
Sterling R	1.20%	●	●	●	●	●	●	●	●
Sterling I	0.95%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

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

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-19.1%	-6.2%	0.2%
Sterling X	-19.1%	-6.2%	0.2%
Sterling R	-18.9%	-5.8%	0.7%
Sterling I	-18.7%	-5.5%	0.9%
MSCI AC Asia Pacific ex Japan Index	-10.7%	0.1%	4.6%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Prior to December 2019, when I was appointed fund manager, the fund’s investment style had made it challenging to outperform. The focus on finding mispriced opportunities resulted in a portfolio invested mainly in cheaper, out of favour shares. For much of the past decade, however, emerging market investors have typically preferred the shares of companies that offer more reliable growth prospects. This has posed a challenge for the fund, most visibly in 2017.”

**Outlook:** “Since my appointment as fund manager, we have been repositioning the portfolio incrementally to reflect the opportunities we see. We have selectively added exposure to several global cyclical sectors, focusing on industries where we are confident that there is less chance of overcapacity, which reduces returns. We have also cut the fund’s exposure to smaller companies. Finally, and most importantly, we have added several stocks which we have followed for a long time. Building a basket of unconnected, attractively valued stocks is at the very core of the investment programme that my team and I have developed over more than 20 years.”

David Perrett, M&G Asian Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward, under the new fund management team. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Charibond Charities Fixed Interest Fund (Charibond)

## Conclusions from the Value Assessment

We conclude that the fund has delivered good value to the charities that invest in it over the review period. Having only recently re-launched as a charity authorised investment fund, we are unable to assess the fund's performance against its objective. It is outstanding that charges are the lowest among competitor funds, and we are glad to find the quality of service delivered to investors to be good.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling	0.30%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.





# 1. Quality of services

Share classes	Rating
Sterling	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of a composite index comprising one half UK government bonds and one half UK corporate bonds, over any five-year period.

The composite index is 50% of the ICE BoAML 1-15 Gilt Index and 50% of the ICE BoAML 1-15 Non Gilt Index.

Having only recently launched, the fund's performance cannot be assessed against its objective.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling	–	–	–
50% of the ICE BoAML 1-15 Gilt Index, 50% of the ICE BoAML 1-15 Non-Gilt Index	–	–	–

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling	● Not applicable

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Since the fund only launched in November 2019, there is not enough of a track record to make any assessment against our longer-term performance objectives. It is worth noting that the fund, which is invested in UK government and corporate bonds, navigated the global market downturn in early 2020 without incurring significant losses.”

**Outlook:** “Despite the economic implications of the coronavirus pandemic, UK government bonds performed relatively well in the first quarter of 2020, helped by the perceived safe haven status of government bonds during times of market stress and uncertainty. While we maintain a sizeable allocation to these assets, we recently increased our exposure to high-quality corporate bonds after their price levels declined significantly. In our view, this created attractive long-term buying opportunities on a selective basis. Going forward, we will continue to seek what we consider to be the best relative value for the fund amid the prevailing economic and market conditions.”

Jamie Hamilton, M&G Charibond Charities Fixed Interest Fund (Charibond)

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.

#### Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling	● Outstanding

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling	● Not applicable



## 7. Share classes

Share classes	Rating
Sterling	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
No issues	No actions required

# M&G Charity Multi Asset Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered good value to the charities that invest in it over the review period. Having only recently re-launched as a charity authorised investment fund, we are unable to assess the fund's performance against its objective. It is outstanding that charges are the lowest among competitor funds, and we are glad to find the quality of service delivered to investors to be good.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling	0.50%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.



## 1. Quality of services

Share classes	Rating
Sterling	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of a composite index\* over any five-year period; and
- To provide an annual yield of at least 3%.

There is no guarantee that the fund will achieve its investment objective over this, or any other, period. The income distributions and the value of investments may rise and fall and investors may not recoup the amount they originally invested.

\*Comprising of 45% of the FTSE All-share Index, 30% of the MSCI ACWI (ex UK) Index, 12.5% of the ICE BoAML 1-15 Gilt Index and 12.5% of the ICE BoAML 1-15 Non-Gilt Index.

Having only recently launched, the fund's performance cannot be assessed against its objective.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling	–	–	–
45% FTSE All-Share Index, 30% MSCI ACWI (ex UK) Index, 12.5% ICE BoAML 1-15 Gilt Index, 12.5% ICE BoAML 1-15 Non-Gilt Index	–	–	–

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling	● Not applicable

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Since the fund only launched in November 2019, there is not enough of a track record to make any assessment against our longer-term performance objectives. It is worth noting that the Fund, which is largely invested in UK and global company shares, did not escape the global market downturn in early 2020. However, the opportunity was taken to add to our equity positions at more attractive entry points.”

**Outlook:** “We believe the fund's new structure allows us to access a wider set of investment opportunities and offers the potential for greater portfolio diversification. It is in just such emotionally challenging situations as we face today that having a clear framework for investing amid uncertainty is necessary. The events so far in 2020 have shown, yet again, that seeking to gain an information edge in forecasting fundamentals is a dangerous approach. Our experience of running strategies based on a behavioural finance approach to investment has only reinforced our faith in adopting a reactive stance, seeking to capture the opportunities created when emotions drive market movements, as we have seen this year.”

Tristan Hanson, M&G Charity Multi Asset Fund

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.

#### Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.





## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund’s assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund’s annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling	● Outstanding

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling	● Not applicable

## 7. Share classes

Share classes	Rating
Sterling	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
No issues	No actions required



# M&G Corporate Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to most, but not all, of its investors over the review period. In challenging market conditions, not every share class has achieved its performance target. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward, following the addition of a new co-fund manager. Though the fund has higher annual charges than similar M&G products, value has been achieved across other criteria. Overall, we find that satisfactory value has been delivered to all except the 'Euro A' share class.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.09%	●	●	●	●	●	●	●	●
Sterling X	1.09%	●	●	●	●	●	●	●	●
Sterling R	0.84%	●	●	●	●	●	●	●	●
Sterling I	0.59%	●	●	●	●	●	●	●	●
Sterling PP	0.44%	●	●	●	●	●	●	●	●
Euro A	1.34%	●	●	●	●	●	●	●	●
Euro C	0.59%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Euro A	● Good
Euro C	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than the average return of the IA £ Corporate Bond Sector over any five-year period.

(Please note that the performance of Euro share classes should be compared with the Euro benchmark below.)

Most of the fund's share classes have met their objective over the five-year period ending 31 March 2020, and are therefore rated as "satisfactory". Those that have not are rated as "must improve".

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-1.0%	1.0%	1.9%
Sterling X	-1.0%	1.0%	1.9%
Sterling R	-0.8%	1.2%	2.2%
Sterling I	-0.5%	1.5%	2.4%
Sterling PP	-0.4%	1.5%	2.5%
Euro A	-4.5%	-0.4%	-2.1%
Euro C	-3.8%	0.4%	-1.6%
(IA) £ Corporate Bond Sector Average	0.7%	1.8%	2.7%
Morningstar Corporate Bond Sector [EUR]	-2.2%	0.5%	-1.0%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Must improve
Euro C	● Satisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** "Over the past few years, we have held the conviction that the global economy is fundamentally strong. While the investment positions we have taken to reflect this view helped drive strong returns in 2019, it has weighed on fund performance in early 2020 as investors worried about the impact of coronavirus on the global economy."

**Outlook:** "We are constantly monitoring and reviewing how we position the portfolio positioning as the bond market tries to adjust to an inevitable downturn in the global economy. As we navigate this period, we are focusing on investment grade corporate bonds issued by companies with steady cashflows. We do believe the strong downward correction to asset prices could lead to attractive opportunities for long-term investors. It is possible that the degree of investor pessimism in some areas of the market is overdone."

Richard Woolnough and Ben Lord, M&G Corporate Bond Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Investors in this fund received a discount over the review period because assets under management exceeded this threshold of £1 billion. We believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good
Euro A	● Good
Euro C	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Must improve
Euro C	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
The fund has non-Sterling share classes that are among the most expensive quartile in its peer group.	The annual charge on these non-Sterling share classes includes rebates that are paid to their distributor outside of the UK. They are therefore not directly comparable to the peer group. Since this pricing structure is commonplace in European markets where these share classes are distributed, we conclude that no action is required.

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
There are comparable funds or mandates that are materially cheaper than share classes in the fund.	M&G is conducting a major review of the annual charges for its range of UK-based funds. We look forward to reporting on this in our next Value Assessment, if not sooner.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve
Euro A	● Must improve
Euro C	● Must improve

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Dividend Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. Although the fund met its income and yield-related goals, it did not achieve its total return performance target. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objectives going forward. We note though the challenging short-term outlook for funds that pursue income from company dividends. Value has been achieved across other criteria, and we find that satisfactory value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.18%	●	●	●	●	●	●	●	●
Sterling X	1.18%	●	●	●	●	●	●	●	●
Sterling R	0.93%	●	●	●	●	●	●	●	●
Sterling I	0.68%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund has three aims:

- To provide an annual yield higher than that of the FTSE All-Share Index;
- To provide an income stream that increases every year; and
- To provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the FTSE All-Share Index over any five-year period.

While the fund has met its income growth and yield objectives, its total return objective has not been met over the five-year period ending 31 March 2020 and the fund is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-21.6%	-9.0%	-3.1%
Sterling X	-21.6%	-9.0%	-3.1%
Sterling R	-21.3%	-8.6%	-2.7%
Sterling I	-21.1%	-8.3%	-2.4%
FTSE All-Share Index	-18.5%	-4.2%	0.6%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Providing our investors with a high and rising income is an important objective for the fund. Despite a cut to the distribution in 2018, the fund has achieved a rising income stream over the past decade and consistently had a dividend yield higher than the FTSE All-Share Index. Total returns have underperformed the FTSE All-Share over the past five years as we missed out on some of the stronger dividend growth within the UK stockmarket. More recently, in early 2020, the fund’s relative performance has been hampered by our overweight allocation to small and mid-sized companies, whose share prices were disproportionately affected during the coronavirus pandemic sell-off.”

**Outlook:** “We remain convinced of the longer-term opportunity presented by investing in higher yielding equities. It will be crucial in the next few months to strike the right balance between companies with a good chance of maintaining their dividend, those whose lower share prices present valuation opportunities today, but may have cut their dividend, and those that will recover after the crisis and offer an exceptional income yield given their dividend-paying capacity. While the widespread cancellation of dividends has affected the share price and income from many of our stocks, the sell-off has created value opportunities for long-term investors.”

Michael Stiasny, M&G Dividend Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Investors in this fund received a discount over the review period because assets under management exceeded this threshold of £1 billion. We believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Not applicable
Sterling X	● Not applicable
Sterling R	● Not applicable
Sterling I	● Not applicable

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Emerging Markets Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. All share classes except the 'A' and 'X' outperformed the target benchmark, and value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Overall, we find that satisfactory value has been delivered to all share classes, with good value delivered to institutional 'PP' share class holders.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.25%	●	●	●	●	●	●	●	●
Sterling X	1.25%	●	●	●	●	●	●	●	●
Sterling R	1.00%	●	●	●	●	●	●	●	●
Sterling I	0.75%	●	●	●	●	●	●	●	●
Sterling PP	0.60%	●	●	●	●	●	●	●	●
Sterling I-H	0.78%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling I-H	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of a composite index over any five-year period.

The composite index is made up of one third JPM EMBI Global Diversified Index, one third JPM CEMBI Broad Diversified Index and one third JPM GBI-EM Global Diversified Index.

Most of the fund's share classes have met their objective over the five-year period ending 31 March 2020, and are therefore rated as "satisfactory". Those that have not are rated as "must improve".

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-5.2%	-0.9%	5.3%
Sterling X	-5.2%	-0.9%	5.3%
Sterling R	-5.0%	-0.6%	5.6%
Sterling I	-4.7%	-0.3%	5.9%
Sterling PP	-4.5%	-0.2%	5.9%
Sterling I-H	-12.3%	-2.5%	–
1/3 JPM EMBI Global Diversified, 1/3 JPM CEMBI Broad Diversified, 1/3 JPM GBI-EM Global Diversified	-0.7%	0.7%	5.9%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good
Sterling I-H	● Satisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** "We firmly believe that a flexible, globally diversified approach is key to investing in emerging bond markets, with the freedom to hold bonds and currencies that we think offer the best relative value and avoid countries or industries where the outlook is unfavourable. After strong returns in 2019, emerging market bonds as an asset class were caught up in the sharp market sell-off of early 2020. Overall, our flexible investment approach has helped the fund to maintain strong long-term performance and deliver returns ahead of most similar competitors."

**Outlook:** "Despite the ongoing coronavirus pandemic, we believe emerging market bonds continue to offer a hugely diversified range of long-term investment opportunities. In our view, certain valuations in the market started to look more attractive after the significant price falls of early 2020. Where we assessed that bonds were oversold and represented long-term value, we added to the portfolio selectively. While uncertainties remain, governments in developed and emerging countries have launched significant economic stimulus measures, including interest rate cuts, which we believe could be supportive to the performance of emerging market bonds."

Claudia Calich, M&G Emerging Markets Bond Fund

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.

Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling I-H	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good
Sterling I-H	● Good

## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling I-H	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required





## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling I-H	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling I-H	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Episode Allocation Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While the fund underperformed its target benchmark in challenging market conditions, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Overall, we find that satisfactory value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.30%	●	●	●	●	●	●	●	●
Sterling X	1.30%	●	●	●	●	●	●	●	●
Sterling R	1.05%	●	●	●	●	●	●	●	●
Sterling I	0.80%	●	●	●	●	●	●	●	●
Sterling PP	0.55%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to deliver a total return (the combination of capital growth and income) of at least 5% per annum above the 3-month GBP LIBOR rate, before any charges are taken, over any five-year period.

There is no guarantee that the fund will achieve a positive return over five years, or any other, period, and investors may not get back the original amount they invested.

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”. (Note that while the fund objective is gross of fees, we have considered returns net of fees across all funds in this Value Assessment.)

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-14.1%	-4.1%	-0.5%
Sterling X	-14.1%	-4.1%	-0.5%
Sterling R	-13.9%	-3.7%	-0.1%
Sterling I	-13.7%	-3.5%	0.1%
Sterling PP	-13.6%	-3.5%	0.2%
3-month GBP LIBOR + 5.0%	5.9%	5.7%	5.6%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The fund’s significant allocation to company shares has been the main driver of performance over the past few years. While it subsequently performed well when the global economic environment was improving, as in 2016 and 2017, periods when concern arose about the strength of global growth, as in 2018, were more challenging. The stockmarket downturn in early 2020 inevitably hit the fund. Although negative returns are disappointing, short-term falls in value do not always translate into longer-term losses.”

**Outlook:** “While the current macroeconomic situation is highly uncertain, the extreme fluctuations in market valuations recently lead us to think that the current disruption is not all fundamental, but is a function of investor panic to some extent. In our view, there are therefore some very significant opportunities for those able to tolerate the short-term volatility. By staying true to our investment approach, we are confident of creating longer-term opportunities.”

Tony Finding and Juan Nevado, M&G Episode Allocation Fund

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#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Not applicable
Sterling X	● Not applicable
Sterling R	● Not applicable
Sterling I	● Not applicable
Sterling PP	● Not applicable

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Episode Growth Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While the fund has not achieved its performance target in challenging market conditions, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and M&G is reviewing the appropriateness of the fund's objective. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.40%	●	●	●	●	●	●	●	●
Sterling X	1.40%	●	●	●	●	●	●	●	●
Sterling R	1.15%	●	●	●	●	●	●	●	●
Sterling I	0.90%	●	●	●	●	●	●	●	●
Sterling PP	0.65%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





# 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to deliver a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of a composite index comprising two thirds global equities and one third global bonds\*, over any five-year period.

\*as measured by the MSCI ACWI and Bloomberg Barclays Global Aggregate Index respectively

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-11.3%	-3.3%	0.5%
Sterling X	-11.3%	-3.3%	0.5%
Sterling R	-11.0%	-2.8%	1.0%
Sterling I	-10.8%	-2.6%	1.2%
Sterling PP	-10.7%	-2.6%	1.3%
2/3 MSCI ACWI Index, 1/3 Bloomberg Barclays Global Aggregate GBP Hedged Index	-2.3%	2.6%	6.9%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The fund’s significant allocation to company shares has been the main driver of performance over the past few years. While it subsequently performed well when the global economic environment was improving, as in 2017, periods when concern arose about the strength of global growth, as in 2018, were more challenging. The stockmarket downturn in early 2020 inevitably hit the fund. Although negative returns are disappointing, short-term falls in value do not always translate into longer-term losses.”

**Outlook:** “While the current macroeconomic situation is highly uncertain, the extreme fluctuations in market valuations recently lead us to think that the current disruption is not all fundamental, but is a function of investor panic to some extent. In our view, there are therefore some very significant opportunities for those able to tolerate the short-term volatility. By staying true to our investment approach, we are confident of creating longer-term opportunities.”

Craig Simpson and Eric Lonergan, M&G Episode Growth Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	M&G is reviewing the appropriateness of the fund's objective. Any proposals will be communicated to investors in the fund prior to the next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Not applicable
Sterling X	● Not applicable
Sterling R	● Not applicable
Sterling I	● Not applicable
Sterling PP	● Not applicable

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Episode Income Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. Although the fund achieved its income growth goal, it fell short of realising its capital growth target in challenging market conditions. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objectives going forward. We note though the challenging short-term outlook for funds that pursue income from company dividends. Value has been achieved across other criteria, and we find that satisfactory value has been delivered to all share classes, with good value delivered to institutional 'PP' share class holders.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.30%	●	●	●	●	●	●	●	●
Sterling X	1.30%	●	●	●	●	●	●	●	●
Sterling R	1.05%	●	●	●	●	●	●	●	●
Sterling I	0.80%	●	●	●	●	●	●	●	●
Sterling PP	0.55%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





# 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to generate a growing level of income over any three-year period. The fund also aims to provide capital growth of 2-4% over any three-year period.

There is no guarantee that the fund will achieve its objective over this, or any other, period. The income distributions and the value of your investment may rise and fall and investors may not recoup the original amount they invested.

While the fund has met its income growth objective, its three-year capital growth objective has not been met in the period ending 31 March 2020 and the fund therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-7.5%	-1.3%	0.9%
Sterling X	-7.5%	-1.3%	0.9%
Sterling R	-7.2%	-0.9%	1.3%
Sterling I	-7.0%	-0.7%	1.5%
Sterling PP	-6.9%	-0.7%	1.5%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Not applicable

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Performance over recent years has been driven by our bias towards company shares (equities). This position was rewarded when investor optimism drove global stockmarkets higher, as in 2016, 2017 and 2019. However, the dramatic decline in global equities and other risk assets in early 2020 unwound the strong positive returns achieved in 2019. It also meant the fund did not deliver its capital growth objective over the three years ending March 2020. Nonetheless, our meaningful holding of US government bonds has offset losses to an extent during periods when investor sentiment declined, as in early 2020.”

**Outlook:** “We believe the global economy might recover from the virus-induced recession more quickly than some commentators think, helped by unprecedented levels of support from governments and central banks. As markets tend to move ahead of anticipated improvements, any possible rebound could be rapid. We continue to skew the portfolio towards company shares as we believe they remain more attractively valued than other assets, particularly most mainstream government bonds.”

Steven Andrew, M&G Episode Income Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Not applicable

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Episode Macro Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While the fund has not achieved its performance target in challenging market conditions, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and M&G is reviewing the ongoing appropriateness of the fund in this structure. Though the 'S-H' share class has relatively high annual charges compared to competitor funds, we find that satisfactory value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling T-H	0.93%	●	●	●	●	●	●	●	●
Sterling S-H	1.93%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





# 1. Quality of services

Share classes	Rating
Sterling T-H	● Good
Sterling S-H	● Satisfactory

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to deliver a total return (the combination of capital growth and income) of at least 4-8% per annum above the 3-month LIBOR over any five-year period, after charges are taken.

There is no guarantee that the fund will achieve a positive return over five years, or any other period, and investors may not get back the original amount they invested.

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling T-H	-0.9%	0.7%	2.2%
Sterling S-H	-1.2%	0.4%	2.0%
3-month GBP LIBOR + 4-8%	4.9%	4.7%	4.6%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling T-H	● Must improve
Sterling S-H	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Our significant allocation to company shares has generally been the main driver of performance over the past few years. The fund benefited from opportunities created during periods of relatively high market volatility, as in 2016, and during periods of rising global stockmarkets, as in 2017. Concerns about rising US interest rates hampered returns in 2018, however the fund was able to profit tactically from falling equity markets at the end of 2018, driving strong positive returns in 2019. Despite reducing our allocation to company shares at the start of 2020, we were unable to escape the effects of steeply declining markets.”

**Outlook:** “Having entered 2020 holding a lower proportion of the portfolio in company shares, we have been in a position to increase our allocation. This has allowed us to take advantage of the extreme decline in global share prices, which the team believes will prove temporary. The falls in many asset prices in early 2020 have increased their attractiveness from a long-term standpoint and, in our view, created opportunities for long-term investors.”

David Fishwick, M&G Episode Macro Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	M&G is reviewing the ongoing appropriateness of the fund in this structure. Any proposals will be communicated to investors in the fund prior to the next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling T-H	● Satisfactory
Sterling S-H	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling T-H	● Good
Sterling S-H	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling T-H	● Good
Sterling S-H	● Must improve

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
The fund has share classes that are among the most expensive quartile in its peer group.	M&G is conducting a major review of the annual charges for its range of UK-based funds. We look forward to reporting on this in our next Value Assessment, if not sooner.



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling T-H	● Satisfactory
Sterling S-H	● Satisfactory



## 7. Share classes

Share classes	Rating
Sterling T-H	● Satisfactory
Sterling S-H	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.

# M&G Equities Investment Fund for Charities (Charifund)

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to the charities that invest in it over the review period. Although the fund achieved its income and yield-related performance goals, it fell short of realising its capital growth target in challenging stockmarket conditions. A thorough review of the fund’s performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objectives going forward. We note though the challenging short-term outlook for funds that pursue income from company dividends. We are glad that fund charges are lower than most competitor funds, and to find the quality of service delivered to investors to be good.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling	0.45%	●	●	●	●	●	●	●	●

**Key**

- Unsatisfactory
- Must improve
- Satisfactory
- Good
- Outstanding
- Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.





# 1. Quality of services

Share classes	Rating
Sterling	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund has three aims:

- To provide an annual yield above that available from the FTSE All-Share Index;
- To provide an income stream that increases every year; and
- To provide a level of capital growth, net of the Ongoing Charge Figure, that is higher than inflation over any ten-year period, as measured by the UK Retail Prices Index (RPI).

There is no guarantee that the fund will achieve its objective over this, or any other, period and investors may not get back the original amount they invested.

While the fund has met its income growth and yield objectives, its ten-year capital growth objective has not been met in the period ending 31 March 2020 and the fund therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling	-18.1%	-3.7%	0.2%
FTSE All-Share Index	-18.5%	-4.2%	0.6%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Providing our investors with a high and rising income is an important objective for the fund. Over each of the past five years, to 2019, our distributions have risen ahead of inflation. The sharp market downturn of early 2020 prompted by the coronavirus pandemic has meant however that we have fallen short of our ten-year capital growth objective. Having an overweight allocation to small and mid-size companies, whose share prices were disproportionately affected during the crisis, hampered performance relative to the overall UK stockmarket.”

**Outlook:** “We remain convinced of the longer-term opportunity presented by investing in higher yielding equities. It will be crucial in the next few months to strike the right balance between companies with a good chance of maintaining their dividend, those whose lower share prices present valuation opportunities today, but may have cut their dividend, and those that will recover after the crisis and offer an exceptional income yield given their dividend-paying capacity. While the widespread cancellation of dividends has affected the share price and income from many of our stocks, the sell-off has created value opportunities for long-term investors.”

Michael Stiasny, M&G Equities Investment Fund for Charities (Charifund)

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.

Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.





## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund’s assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund’s annual charge when its assets under management exceed £1 billion.

Investors in this fund received a discount over the review period because assets under management exceeded this threshold of £1 billion. We believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling	● Good

## 5. Comparable market rates

Share classes	Rating
Sterling	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required





## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling	● Not applicable



## 7. Share classes

Share classes	Rating
Sterling	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
No issues	No actions required

# M&G European Corporate Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to most, but not all, of its investors over the review period. Higher charges than similar M&G products and compared to competitor funds are key factors behind this, as is the fund's underperformance relative to its target benchmark. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Overall, we find that satisfactory value has been delivered to all except the 'I-H' share class.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.15%	●	●	●	●	●	●	●	●
Sterling X	1.15%	●	●	●	●	●	●	●	●
Sterling R	0.90%	●	●	●	●	●	●	●	●
Sterling I	0.65%	●	●	●	●	●	●	●	●
Sterling I-H	0.68%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling I-H	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the ICE BofAML Euro Corporate Index over any five-year period.

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-0.1%	0.9%	4.1%
Sterling X	-0.1%	0.9%	4.1%
Sterling R	0.2%	1.2%	4.4%
Sterling I	0.4%	1.4%	4.6%
Sterling I-H	-2.2%	–	–
ICE BofAML Euro Corporate Index	-0.6%	1.4%	4.9%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling I-H	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “We look to invest in high-quality corporate bonds based on rigorous fundamental analysis and comprehensive risk management. Generally, our selective exposure to European company debt has been conducive to relatively strong performance over the past few years. Our defensive positioning at the end of 2019, based on our view that parts of the corporate bond market did not offer value, helped mitigate losses during the market downturn of early 2020.”

**Outlook:** “We are constantly monitoring and reviewing how we position the portfolio as the bond market tries to adjust to an inevitable downturn in the global economy. We do believe the strong downward correction to asset prices could lead to attractive opportunities, especially among the bonds issued by high-quality companies with steady cashflows. However, with the high level of uncertainty in the market, and despite the sell-off seen on European corporate bonds, we are taking a cautious approach.”

Stefan Isaacs, M&G European Corporate Bond Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling I-H	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling I-H	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Satisfactory
Sterling I	● Must improve
Sterling I-H	● Must improve

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
The fund has share classes that are among the most expensive quartile in its peer group.	M&G is conducting a major review of the annual charges for its range of UK-based funds. We look forward to reporting on this in our next Value Assessment, if not sooner.



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
There are comparable funds or mandates that are materially cheaper than share classes in the fund.	M&G is conducting a major review of the annual charges for its range of UK-based funds. We look forward to reporting on this in our next Value Assessment, if not sooner.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling I-H	● Must improve

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling I-H	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G European Index Tracker Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. Although the fund has not met its performance target, this reflects the inherent difficulty for tracker funds to deliver returns in line with the index, after the effect of charges. A thorough review of the fund's performance and strategy has been conducted, and M&G is reviewing the appropriateness of the fund's objective. While charges on some share classes are relatively high compared to competitor funds, value has been achieved across other criteria. Overall, we find that satisfactory value has been delivered to all share classes, with good value delivered to 'I' share class holders.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	0.50%	●	●	●	●	●	●	●	●
Sterling I	0.25%	●	●	●	●	●	●	●	●
Euro A	0.65%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Good
Euro A	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to track the FTSE World Europe ex UK Index.

(Please note that the performance of Euro share classes should be compared with the Euro benchmark below.)

The fund has not met its objective, based on returns net of fees, over the five-year period ending 31 March 2020, and is therefore rated as “must improve”. This notwithstanding, investment returns have tracked the benchmark index closely.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-8.5%	-1.4%	2.7%
Sterling I	–	–	–
Euro A	-11.5%	-2.5%	-1.3%
FTSE World Europe ex UK Index	-8.0%	-0.5%	3.8%
FTSE World Europe ex UK Index [EUR]	-10.4%	-1.6%	-0.3%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling I	● Not applicable
Euro A	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The fund holds all of the shares of the largest companies in the index, as well as the shares in a selection of the remaining smaller companies to ensure that the index is replicated as closely as possible. The European stockmarket declined sharply in early 2020, as the effects of the coronavirus pandemic weighed heavily on investors’ outlooks. As the fund tracks the performance of the FTSE World Europe ex UK Index it delivered negative returns, offsetting the gains of recent years. While the performance of a tracker fund is unlikely to deviate much from the index, the effects of market timing, fund charges and other factors can all lead to under- or outperformance over any given period.”

**Outlook:** “Against the backdrop of the evolving coronavirus pandemic, policymakers around the world have shown they are willing to take unprecedented action in response to the global growth slowdown. However, a recession is now likely and stockmarkets are expected to be volatile in the near term.”

Nigel Booth, M&G European Index Tracker Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	M&G is reviewing the appropriateness of the fund's objective. Any proposals will be communicated to investors in the fund prior to the next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling I	● Good
Euro A	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Must improve
Euro A	● Must improve

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
The fund has non-Sterling share classes that are among the most expensive quartile in its peer group.	The annual charge on these non-Sterling share classes includes rebates that are paid to their distributor outside of the UK. They are therefore not directly comparable to the peer group. Since this pricing structure is commonplace in European markets where these share classes are distributed, we conclude that no action is required.



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G European Select Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While its performance target has not been achieved, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward, under the new fund management team. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.20%	●	●	●	●	●	●	●	●
Sterling X	1.20%	●	●	●	●	●	●	●	●
Sterling R	0.95%	●	●	●	●	●	●	●	●
Sterling I	0.70%	●	●	●	●	●	●	●	●
Sterling PP	0.55%	●	●	●	●	●	●	●	●
Euro A	1.65%	●	●	●	●	●	●	●	●
Euro C	0.70%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Euro A	● Good
Euro C	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the FTSE World Europe ex UK Index over any five-year period.

(Please note that the performance of Euro share classes should be compared with the Euro benchmark below.)

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-13.2%	-3.6%	1.1%
Sterling X	-13.2%	-3.6%	1.1%
Sterling R	-12.9%	-3.1%	1.6%
Sterling I	-12.7%	-2.9%	1.8%
Sterling PP	-12.6%	-2.8%	1.8%
Euro A	-16.3%	-4.7%	-2.9%
Euro C	-15.5%	-3.9%	-2.2%
FTSE World Europe ex UK Index	-8.0%	-0.5%	3.8%
FTSE World Europe ex UK Index [EUR]	-10.4%	-1.6%	-0.3%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve
Euro A	● Must improve
Euro C	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The fund’s recent performance has been hampered by weakness among a number of our more economically sensitive holdings, particularly financial stocks, whose businesses are more dependent on the economic cycle. While this is obviously disappointing, we believe the sell-off across European stockmarkets in early 2020 was relatively indiscriminate. At times when investors’ decisions are driven by macroeconomic concerns, the merits of individual companies can be overlooked.”

**Outlook:** “The coronavirus pandemic is likely to dominate investor sentiment in the near future, but as long-term investors we believe that the recent market turbulence has created some exciting investment opportunities. After satisfying ourselves that portfolio companies have strong balance sheets to weather the storm, we bought shares in companies that we believe will come out of the crisis in a more favourable competitive environment. By looking for stocks that are under-valued, we can participate in any future recovery in value. We think that many of our stocks have attractive long-term prospects that are being underappreciated by other investors. We remain confident that when investors start paying attention to company performance, they will look more favourably on many of these stocks.”

Richard Halle, M&G European Select Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward, under the new fund management team. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good
Euro A	● Good
Euro C	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Euro A	● Must improve
Euro C	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
The fund has non-Sterling share classes that are among the most expensive quartile in its peer group.	The annual charge on these non-Sterling share classes includes rebates that are paid to their distributor outside of the UK. They are therefore not directly comparable to the peer group. Since this pricing structure is commonplace in European markets where these share classes are distributed, we conclude that no action is required.



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Gilt & Fixed Interest Income Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While its performance target has not been achieved, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Nonetheless, we note that the challenging context of record-low government bond yields makes it very difficult for this strategy to deliver strong returns. Overall, we find that satisfactory value has been delivered to both share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	0.55%	●	●	●	●	●	●	●	●
Sterling I	0.30%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





# 1. Quality of services

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the FTSE UK Conventional Gilts All Stocks Index over any five-year period.

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	8.4%	3.6%	3.8%
Sterling I	8.7%	3.8%	4.0%
FTSE UK Conventional Gilts All Stocks Index	9.9%	4.6%	4.7%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling I	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The fund has been positioned to be less sensitive to the possibility of rising interest rates for some time, reflecting our view that UK interest rates are likely to increase over the next few years. This stance has been useful in offsetting some of the fluctuations in UK government bond markets in recent years. However, it has meant that we have missed out somewhat on the rising prices of UK government bonds during a period when investors turned to their perceived safety.”

**Outlook:** “We have repositioned the fund in response to the central bank purchases of UK government bonds, which should have a supportive effect on prices in the short-term. However, we continue to hold the opinion that UK interest rates are likely to increase over the next few years under most foreseeable scenarios, and that UK government bonds offer poor long-term value. We therefore expect to reposition the fund over the medium to long term to be less sensitive to the possibility of rising interest rates.”

Matthew Russell, M&G Gilt & Fixed Interest Income Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling I	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory



## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>

# M&G Global Convertibles Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While its performance target has not been achieved, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.35%	●	●	●	●	●	●	●	●
Sterling R	1.10%	●	●	●	●	●	●	●	●
Sterling I	0.85%	●	●	●	●	●	●	●	●
Sterling PP	0.70%	●	●	●	●	●	●	●	●
Sterling A-H	1.38%	●	●	●	●	●	●	●	●
Sterling R-H	1.13%	●	●	●	●	●	●	●	●
Sterling I-H	0.88%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling A-H	● Good
Sterling R-H	● Satisfactory
Sterling I-H	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than the Thomson Reuters Global Focus Convertible Bond Index over any five-year period.

(Please note that the performance of hedged share classes should be compared with the hedged benchmark below.)

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-0.3%	-2.4%	2.7%
Sterling R	0.0%	-1.9%	3.2%
Sterling I	0.3%	-1.7%	3.4%
Sterling PP	0.4%	-1.6%	3.4%
Sterling A-H	-7.3%	-4.1%	-1.9%
Sterling R-H	-6.9%	-3.7%	-1.2%
Sterling I-H	-6.7%	-3.6%	-1.2%
Thomson Reuters Global Focus Convertible Bond Index	0.9%	1.0%	4.8%
Thomson Reuters Global Focus GBP Hedged Convertible Bond Index	-4.4%	-0.2%	0.5%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve
Sterling A-H	● Must improve
Sterling R-H	● Must improve
Sterling I-H	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Performance over recent years has been driven by our unconstrained stock selection process, which aims to benefit from the long-term ability of convertible bonds to benefit when share prices are rising, but lose less value when they are falling. While we have had some notable successes over the years, we have also suffered from some disappointing stock selection, including holding convertibles from Teva Pharmaceuticals and retailer Steinhoff. Over the five years ending March 2020, the fund generated a positive return but failed to beat its target benchmark.”

**Outlook:** “We believe the global economy might recover from the virus-induced recession more quickly than some commentators think. This possibility would be expected to prompt share prices – and therefore the value of convertibles – to rise. However, if the economy remains weak, convertibles should fall less than share prices. We will continue to search for those convertible bonds that offer an attractive balance of risk and reward by developing a deep understanding of each potential investment, and the companies issuing the bonds, on a case by case basis.”

Léonard Vinville, M&G Global Convertibles Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling A-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good
Sterling A-H	● Good
Sterling R-H	● Good
Sterling I-H	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Not applicable
Sterling R	● Not applicable
Sterling I	● Not applicable
Sterling PP	● Not applicable
Sterling A-H	● Not applicable
Sterling R-H	● Not applicable
Sterling I-H	● Not applicable

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Not applicable
Sterling R	● Not applicable
Sterling I	● Not applicable
Sterling PP	● Not applicable
Sterling A-H	● Not applicable
Sterling R-H	● Not applicable
Sterling I-H	● Not applicable

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling A-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Global Dividend Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. Although the fund met its income and yield-related goals, it did not achieve its total return performance target. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objectives going forward. We note though the challenging short-term outlook for funds that pursue income from company dividends. Value has been achieved across other criteria, and we find that satisfactory value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.36%	●	●	●	●	●	●	●	●
Sterling X	1.36%	●	●	●	●	●	●	●	●
Sterling R	1.11%	●	●	●	●	●	●	●	●
Sterling I	0.86%	●	●	●	●	●	●	●	●
Sterling PP	0.66%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

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; and
- 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.

While the fund has met its income growth and yield objectives, its total return objective has not been met over the five-year period ending 31 March 2020 and the fund is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-17.1%	-3.3%	3.3%
Sterling X	-17.1%	-3.3%	3.3%
Sterling R	-16.8%	-2.8%	3.8%
Sterling I	-16.6%	-2.6%	4.0%
Sterling PP	-16.5%	-2.6%	4.0%
MSCI ACWI Index	-6.2%	2.3%	7.2%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The portfolio’s energy-related stocks have weighed on relative performance over the past year, although the cashflows generated by our pipeline holdings have limited sensitivity to the oil price. Negative investor sentiment has infiltrated all of the energy sector, as it did in 2015 before a strong recovery in 2016. Valuation, which has been largely ignored in certain parts of the market, remains a crucial aspect of our stock selection. We believe indiscriminate selling has led to exceptional value in selected stocks.”

**Outlook:** “We remain committed to our dividend growth philosophy and our disciplined process focused on fundamental analysis. 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, in our view. The volatility in markets is presenting excellent buying opportunities for long-term investors, and we are confident about the prospects ahead.”

Stuart Rhodes, M&G Global Dividend Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale



Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Investors in this fund received a discount over the review period because assets under management exceeded this threshold of £1 billion. We believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Global Emerging Markets Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. In a challenging climate for investment strategies focused on cheaper parts of the stockmarket, the fund has not achieved its performance target. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Value has been achieved across other criteria, however, and we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.45%	●	●	●	●	●	●	●	●
Sterling R	1.20%	●	●	●	●	●	●	●	●
Sterling I	0.95%	●	●	●	●	●	●	●	●
Sterling PP	0.75%	●	●	●	●	●	●	●	●
Sterling I-H	0.98%	●	●	●	●	●	●	●	●
Sterling PP-H	0.78%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling I-H	● Good
Sterling PP-H	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the MSCI Emerging Markets Index over any five-year period.

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-23.3%	-7.2%	0.1%
Sterling R	-23.1%	-6.8%	0.6%
Sterling I	-22.9%	-6.6%	0.8%
Sterling PP	-22.7%	-6.5%	0.9%
Sterling I-H	–	–	–
Sterling PP-H	–	–	–
MSCI Emerging Markets Index	-13.2%	-1.0%	3.7%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve
Sterling I-H	● Must improve
Sterling PP-H	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Our investment philosophy and process focus on finding mispriced opportunities that we believe represent long-term value for our investors. For much of the past decade, however, emerging market investors have typically preferred the shares of companies that offer more reliable growth prospects. This has posed a challenge for contrarian approaches like ours, most visibly in 2017 and early 2020, when emerging market stockmarkets sold off sharply as the coronavirus outbreak rattled investors. Despite a challenging environment for our style of investing, we are encouraged that the fund’s record since launch in 2009 has been resilient.”

**Outlook:** “We remain committed to our approach and believe that by identifying cheap stocks, whose prospects are being underappreciated by other investors, we can deliver attractive returns for investors over the long term. Given the recent polarisation in company valuations, we perceive lots of investment opportunities and are optimistic about the outlook for both the fund and emerging markets in general.”

Michael Bourke, M&G Global Emerging Markets Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good
Sterling I-H	● Good
Sterling PP-H	● Good

## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good
Sterling I-H	● Satisfactory
Sterling PP-H	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required





## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Global Enhanced Equity Premia Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered good value to its investors over the review period. Having only recently launched, we are unable to assess the fund's performance against its objective. We believe the charges offer good value compared to competitor funds, and we are glad to find the quality of service delivered to most investors to be good.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling I	0.30%	●	●	●	●	●	●	●	●
Sterling PP	0.25%	●	●	●	●	●	●	●	●
Sterling Z	0.00%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.



## 1. Quality of services

Share classes	Rating
Sterling I	● Good
Sterling PP	● Good
Sterling Z	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the MSCI ACWI [NUK] Index over any five-year period.

Having only recently launched, the fund's performance cannot be assessed against its objective.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling I	–	–	–
Sterling PP	–	–	–
Sterling Z	–	–	–

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling I	● Not applicable
Sterling PP	● Not applicable
Sterling Z	● Not applicable

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Since the fund only launched in November 2019, there is not enough of a track record to make any assessment against our longer-term performance objectives. It is worth noting that the fund, which is invested in global company shares, did not escape global market downturn in early 2020.”

**Outlook:** “Global stockmarkets have been rattled by the coronavirus pandemic. For active investors like us, sharp fluctuations in share prices can present opportunities which are rarely seen. For how long the coronavirus will impact the real economy and financial markets is still unknown, but we remain focused on our systematic approach to factor investing. We believe that the portfolio is well placed to weather the current market uncertainty and deliver superior risk-adjusted returns for our investors.”

Gautam Samarth, M&G Global Enhanced Equity Premia Fund

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.

#### Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling Z	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling I	● Good
Sterling PP	● Good
Sterling Z	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling I	● Good
Sterling PP	● Good
Sterling Z	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling Z	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling Z	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
No issues	No actions required



# M&G Global Floating Rate High Yield Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While its performance target has not been achieved, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and M&G is reviewing the appropriateness of the fund's objective. Though the 'A-H' and 'I-H' share classes have relatively high annual charges compared to competitor funds, we find that satisfactory value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A-H	1.33%	●	●	●	●	●	●	●	●
Sterling R-H	1.08%	●	●	●	●	●	●	●	●
Sterling I-H	0.83%	●	●	●	●	●	●	●	●
Sterling PP-H	0.68%	●	●	●	●	●	●	●	●
Sterling E-H	0.58%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A-H	● Good
Sterling R-H	● Satisfactory
Sterling I-H	● Good
Sterling PP-H	● Good
Sterling E-H	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund is designed to maximise total return (the combination of income and growth of capital).

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A-H	-15.9%	-4.8%	-1.6%
Sterling R-H	-16.1%	-4.7%	-1.5%
Sterling I-H	-15.5%	-4.3%	-1.1%
Sterling PP-H	-15.3%	-4.2%	-1.1%
Sterling E-H	-15.2%	-4.0%	-0.9%
Prior to 31.03.16: ICE BofAML Global Floating Rate High Yield Index, 01.04.16 – Present: ICE BofAML Global Floating Rate High, Yield Index (3% constrained) GBP Hedged	-14.8%	-3.3%	0.1%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A-H	● Must improve
Sterling R-H	● Must improve
Sterling I-H	● Must improve
Sterling PP-H	● Must improve
Sterling E-H	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The sell-off in corporate bond markets in March 2020 was unprecedented both in its speed and scale. As a result of these dramatic market moves, the fund suffered losses that more than reversed positive returns generated since its launch in 2014. While the fund has lagged its benchmark, we believe this reflects our desire to run a more balanced, defensive and diversified portfolio compared to the highly concentrated index of high yield floating rate notes. The index is tilted towards riskier, more indebted companies that we have tended to limit our exposure to.”

**Outlook:** “We believe that high yield corporate bonds are trading at highly attractive values after the sell-off in March 2020, presenting a wealth of opportunities for long-term investors willing to weather some volatility. While the number of companies defaulting on their bonds is expected to rise, markets have been pricing in default rates several times larger than anything seen historically. By focusing on cash-generative companies with robust balance sheets, we believe the fund is well placed to ride out this difficult environment successfully.”

James Tomlins, M&G Global Floating Rate High Yield Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	M&G is reviewing the appropriateness of the fund's objective. Any proposals will be communicated to investors in the fund prior to the next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory
Sterling E-H	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A-H	● Good
Sterling R-H	● Good
Sterling I-H	● Good
Sterling PP-H	● Good
Sterling E-H	● Good

## 5. Comparable market rates

Share classes	Rating
Sterling A-H	● Must improve
Sterling R-H	● Satisfactory
Sterling I-H	● Must improve
Sterling PP-H	● Satisfactory
Sterling E-H	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
The fund has share classes that are among the most expensive quartile in its peer group.	M&G is conducting a major review of the annual charges for its range of UK-based funds. We look forward to reporting on this in our next Value Assessment, if not sooner.





## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Not applicable
Sterling E-H	● Not applicable



## 7. Share classes

Share classes	Rating
Sterling A-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory
Sterling E-H	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>

# M&G Global Government Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered outstanding value to most of its investors over the review period. Most share classes have delivered outstanding performance, and we are satisfied that the fund is appropriately structured to meet its objective going forward. Though the non-Sterling 'A' share classes have relatively high annual charges compared to competitor funds, value has been achieved across other criteria. Overall, we find that outstanding value has been delivered to all except the non-Sterling 'A' share classes, which are rated as good overall.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.05%	●	●	●	●	●	●	●	●
Sterling R	0.80%	●	●	●	●	●	●	●	●
Sterling I	0.55%	●	●	●	●	●	●	●	●
Euro A	1.05%	●	●	●	●	●	●	●	●
Euro C	0.55%	●	●	●	●	●	●	●	●
USD A	1.05%	●	●	●	●	●	●	●	●
USD C	0.55%	●	●	●	●	●	●	●	●
CHF A	1.05%	●	●	●	●	●	●	●	●
CHF C	0.55%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Euro A	● Good
Euro C	● Good
USD A	● Good
USD C	● Good
CHF A	● Good
CHF C	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than the average return of the IA Global Bonds Sector over any five-year period.

(Please note that the performance of non-Sterling share classes should be compared with the respective non-Sterling benchmark below.)

The fund has delivered total returns in excess of its objective over the five-year period ending 31 March 2020, and its share classes are therefore rated as “good” or “outstanding”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	5.0%	1.4%	5.3%
Sterling R	5.3%	1.7%	5.5%
Sterling I	5.5%	1.9%	5.8%
Euro A	1.6%	0.3%	1.2%
Euro C	2.1%	0.9%	1.7%
USD A	-1.0%	1.2%	1.6%
USD C	-0.5%	1.7%	2.1%
CHF A	-4.0%	0.0%	1.5%
CHF C	-3.4%	0.6%	2.0%
(IA) Global Bonds Sector Average	1.0%	1.2%	3.6%
Morningstar Global Bond Sector [EUR]	4.0%	1.3%	0.9%
Morningstar Global Bond Sector [USD]	1.6%	2.2%	1.3%
Morningstar Global Bond Sector [CHF]	-1.5%	1.0%	1.1%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Outstanding
Sterling R	● Outstanding
Sterling I	● Outstanding
Euro A	● Good
Euro C	● Outstanding
USD A	● Good
USD C	● Outstanding
CHF A	● Outstanding
CHF C	● Outstanding

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The fund’s investment approach allows for globally diversified exposures to government bonds across developed and emerging markets. We maintained a sizeable allocation to the latter in recent years, which has boosted relative performance at times when sentiment favoured these assets. While emerging market bonds were caught up in the market sell-off of early 2020, our sizeable allocation to US government bonds, which gained value as investors sought their perceived safety, held up performance. Overall, our selective investment approach has helped the fund to outperform its target benchmark.”

**Outlook:** “We believe that government bonds continue to offer defensive qualities for global investors, as demonstrated in early 2020 when these assets held up well amid the general declines in financial markets. We would also note that the significant economic stimulus measures taken by many central banks in 2020, including cuts in interest rates, can be supportive to the performance of government bonds. Overall, we continue to seek the most attractive value in the global government bond markets amid the prevailing economic conditions, while avoiding those countries where we believe the outlook is less favourable.”

Claudia Calich, M&G Global Government Bond Fund

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.

#### Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory
USD A	● Satisfactory
USD C	● Satisfactory
CHF A	● Satisfactory
CHF C	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling R	● Good
Sterling I	● Good
Euro A	● Good
Euro C	● Good
USD A	● Good
USD C	● Good
CHF A	● Good
CHF C	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Good
Euro A	● Must improve
Euro C	● Good
USD A	● Must improve
USD C	● Good
CHF A	● Must improve
CHF C	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
The fund has non-Sterling share classes that are among the most expensive quartile in its peer group.	The annual charge on these non-Sterling share classes includes rebates that are paid to their distributor outside of the UK. They are therefore not directly comparable to the peer group. Since this pricing structure is commonplace in European markets where these share classes are distributed, we conclude that no action is required.



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory
USD A	● Satisfactory
USD C	● Satisfactory
CHF A	● Satisfactory
CHF C	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory
USD A	● Satisfactory
USD C	● Satisfactory
CHF A	● Satisfactory
CHF C	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Global High Yield Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While its performance target has not been achieved, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objectives going forward. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.18%	●	●	●	●	●	●	●	●
Sterling X	1.18%	●	●	●	●	●	●	●	●
Sterling R	0.93%	●	●	●	●	●	●	●	●
Sterling I	0.68%	●	●	●	●	●	●	●	●
Sterling PP	0.53%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the ICE BofAML Global High Yield Index (GBP Hedged) over any five-year period.

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-9.0%	-1.8%	0.4%
Sterling X	-9.0%	-1.8%	0.4%
Sterling R	-8.8%	-1.6%	0.6%
Sterling I	-8.5%	-1.2%	0.9%
Sterling PP	-8.4%	-1.2%	0.9%
ICE BofAML Global High Yield Index (GBP Hedged)	-9.3%	-1.1%	1.8%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Being largely defensively positioned, and having a slight regional bias towards Europe over the US, has detracted slightly from the fund’s relative returns over recent years. Our careful selection of individual bonds has helped us navigate challenging periods, however, not least over the past year. While the sharp market downturn of early 2020 affected the entire high yield corporate bond market, we successfully avoided the string of defaults experienced within the energy sector.”

**Outlook:** “While we expect high yield markets to remain volatile in the short term, over the medium to long-term we think the asset class has the potential to offer investors strong returns based on a combination of income and capital growth. We believe an actively managed investment approach, carefully selecting individual bonds based on their quality and value, is the best way to capitalise on the opportunities being created in the current environment.”

Stefan Isaacs and James Tomlins, M&G Global High Yield Bond Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Investors in this fund received a discount over the review period because assets under management exceeded this threshold of £1 billion. We believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory



## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>

# M&G Global High Yield ESG Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered good value to its investors over the review period. Having only recently launched, we are unable to assess the fund's performance against its objective. We believe the charges offer value compared to competitor funds, and we are glad to find the quality of service delivered to most investors to be good.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A-H	1.23%	●	●	●	●	●	●	●	●
Sterling R-H	0.98%	●	●	●	●	●	●	●	●
Sterling I-H	0.73%	●	●	●	●	●	●	●	●
Sterling PP-H	0.58%	●	●	●	●	●	●	●	●
Sterling L-H	0.58%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A-H	● Good
Sterling R-H	● Satisfactory
Sterling I-H	● Good
Sterling PP-H	● Good
Sterling L-H	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than the ICE BofAML Global High Yield Index (USD hedged) over any five-year period.

Having only recently launched, the fund's performance cannot be assessed against its objective.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A-H	–	–	–
Sterling R-H	–	–	–
Sterling I-H	–	–	–
Sterling PP-H	–	–	–
Sterling L-H	–	–	–

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A-H	● Not applicable
Sterling R-H	● Not applicable
Sterling I-H	● Not applicable
Sterling PP-H	● Not applicable
Sterling L-H	● Not applicable

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Since the fund only launched in February 2020, there is not enough of a track record to make any assessment against our longer-term performance objectives. It is worth noting that the fund, which is invested in global high yield corporate bonds, did not escape global market downturn in early 2020.”

**Outlook:** “While we expect high yield corporate bond markets to remain volatile in the short term, over the medium to long term we think the asset class has the potential to offer investors strong returns based on a combination of income and capital growth. We believe an actively managed investment approach, carefully selecting individual bonds based on their quality and value, is the best way to capitalise on the opportunities being created in the current environment.”

James Tomlins and Stefan Isaacs, M&G Global High Yield ESG Bond Fund

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.

#### Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory
Sterling L-H	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A-H	● Good
Sterling R-H	● Good
Sterling I-H	● Good
Sterling PP-H	● Good
Sterling L-H	● Good

## 5. Comparable market rates

Share classes	Rating
Sterling A-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Good
Sterling L-H	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required





## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory
Sterling L-H	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A-H	● Not applicable
Sterling R-H	● Not applicable
Sterling I-H	● Not applicable
Sterling PP-H	● Not applicable
Sterling L-H	● Not applicable

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
No issues	No actions required



# M&G Global Listed Infrastructure Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered good value to its investors over the review period. While we are unable to assess performance against its total return target, since the fund only launched in 2017, it has achieved its income goal and we are satisfied that the fund is appropriately structured to meet its objectives going forward. We note though the challenging short-term outlook for funds that pursue income from company dividends. Value has been achieved across other criteria and we find that good value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.10%	●	●	●	●	●	●	●	●
Sterling I	0.85%	●	●	●	●	●	●	●	●
Sterling PP	0.65%	●	●	●	●	●	●	●	●
Sterling L	0.60%	●	●	●	●	●	●	●	●
Sterling I-H	0.88%	●	●	●	●	●	●	●	●
Sterling PP-H	0.68%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good
Sterling I-H	● Good
Sterling PP-H	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund has two aims:

- To deliver a higher total return (the combination of income and growth of capital), net of the Ongoing Charges Figure, than that of the MSCI All Countries World Index over any five-year period; and
- To deliver an income stream that increases every year in Sterling terms.

The fund has met its income growth objective since launch in 2017. Having only recently launched, the fund's performance cannot be assessed against its five-year total return objective.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-3.3%	–	–
Sterling I	-3.1%	–	–
Sterling PP	-2.9%	–	–
Sterling L	-2.8%	–	–
Sterling I-H	–	–	–
Sterling PP-H	–	–	–
MSCI ACWI Index	-6.2%	2.3%	7.2%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The fund has outperformed since its launch in October 2017. Listed infrastructure’s defensive characteristics often come to the fore during market downturns, but we strongly believe that the asset class offers more than just stability. There is a wide range of long-term growth opportunities which we aim to capture with a modern approach. We invest beyond the traditional realm of ‘economic’ infrastructure and incorporate ‘evolving’ infrastructure companies whose physical networks support our increasingly digital economy.”

**Outlook:** “We remain focused on capturing long-term growth opportunities and continue to believe that the vast majority of our holdings remain on track to keep raising their dividends. The abundance of growth opportunities in listed infrastructure, including the tailwind of powerful multi-decade themes such as renewable energy and digital connectivity, provide ample grounds for optimism. We are confident that the portfolio is well placed not only to weather the current uncertainty, but to capture attractive growth over the long term.”

Alex Araujo, M&G Global Listed Infrastructure Fund

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.

#### Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale



Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good
Sterling I-H	● Good
Sterling PP-H	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good
Sterling L	● Good
Sterling I-H	● Satisfactory
Sterling PP-H	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory



## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory
Sterling I-H	● Not applicable
Sterling PP-H	● Not applicable

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>

# M&G Global Macro Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered good value to its investors over the review period. The fund has delivered outstanding investment performance, and we are satisfied that it is appropriately structured to meet its objective going forward. Value has been achieved across other criteria and we find that, overall, good value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.28%	●	●	●	●	●	●	●	●
Sterling X	1.28%	●	●	●	●	●	●	●	●
Sterling R	1.03%	●	●	●	●	●	●	●	●
Sterling I	0.78%	●	●	●	●	●	●	●	●
Sterling J	0.68%	●	●	●	●	●	●	●	●
Sterling PP	0.68%	●	●	●	●	●	●	●	●
Sterling A-H	1.31%	●	●	●	●	●	●	●	●
Sterling X-H	1.31%	●	●	●	●	●	●	●	●
Sterling R-H	1.06%	●	●	●	●	●	●	●	●
Sterling I-H	0.81%	●	●	●	●	●	●	●	●
Sterling J-H	0.71%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling J	● Good
Sterling PP	● Good
Sterling A-H	● Good
Sterling X-H	● Good
Sterling R-H	● Satisfactory
Sterling I-H	● Good
Sterling J-H	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income) net of the Ongoing Charge Figure, than the average return of the IA Global Bonds Sector over any five-year period.

The fund has delivered total returns in excess of its objective over the five-year period ending 31 March 2020, and is therefore rated as “outstanding”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	10.8%	3.0%	5.8%
Sterling X	10.8%	3.0%	5.8%
Sterling R	11.1%	3.2%	6.0%
Sterling I	11.4%	3.6%	6.3%
Sterling J	11.5%	–	–
Sterling PP	11.5%	3.6%	6.3%
Sterling A-H	2.4%	0.9%	–
Sterling X-H	2.4%	1.0%	–
Sterling R-H	2.7%	1.2%	–
Sterling I-H	3.0%	1.5%	–
Sterling J-H	3.0%	–	–
(IA) Global Bonds Sector Average	1.0%	1.2%	3.6%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Outstanding
Sterling X	● Outstanding
Sterling R	● Outstanding
Sterling I	● Outstanding
Sterling J	● Outstanding
Sterling PP	● Outstanding
Sterling A-H	● Outstanding
Sterling X-H	● Outstanding
Sterling R-H	● Outstanding
Sterling I-H	● Outstanding
Sterling J-H	● Outstanding

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Through the fund’s flexible investment approach, we seek the best long-term relative value in the global bond markets. This allows us to invest where we have a favourable view across the full range of government and corporate bond markets in both developed and emerging markets. Over the past decade, the fund has delivered consistent performance in excess of its target benchmark. We successfully navigated the sell-off in global markets in early 2020 by defensively positioning the portfolio, including holding large allocations of government bonds, particularly US Treasuries, which gained value as investors sought their perceived safety.”

**Outlook:** “Despite the uncertainties posed by the coronavirus outbreak, we will continue to seek the best relative value in global bond markets for our investors in any market and economic conditions. After the sell-off in corporate bonds in early 2020, we significantly increased exposure to these assets, reflecting our view that their lower price levels represented attractive long-term value. As a diversified global bond fund, we will also continue to manage currency exposures as we seek to add value to its performance.”

Jim Leaviss, M&G Global Macro Bond Fund

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.

#### Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling J	● Satisfactory
Sterling PP	● Satisfactory
Sterling A-H	● Satisfactory
Sterling X-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory
Sterling J-H	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Investors in this fund received a discount over the review period because assets under management exceeded this threshold of £1 billion. We believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling J	● Good
Sterling PP	● Good
Sterling A-H	● Good
Sterling X-H	● Good
Sterling R-H	● Good
Sterling I-H	● Good
Sterling J-H	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling J	● Satisfactory
Sterling PP	● Satisfactory
Sterling A-H	● Satisfactory
Sterling X-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory
Sterling J-H	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling J	● Satisfactory
Sterling PP	● Satisfactory
Sterling A-H	● Satisfactory
Sterling X-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory
Sterling J-H	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling J	● Satisfactory
Sterling PP	● Satisfactory
Sterling A-H	● Satisfactory
Sterling X-H	● Satisfactory
Sterling R-H	● Satisfactory
Sterling I-H	● Satisfactory
Sterling J-H	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Global Select Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While only the 'I' share class met its performance target, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.40%	●	●	●	●	●	●	●	●
Sterling X	1.40%	●	●	●	●	●	●	●	●
Sterling R	1.15%	●	●	●	●	●	●	●	●
Sterling I	0.90%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

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

Some of the fund's share classes have not met their objective over the five-year period ending 31 March 2020, and are therefore rated as "must improve".

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-1.9%	2.9%	6.6%
Sterling X	-1.9%	2.9%	6.6%
Sterling R	-1.6%	3.4%	7.1%
Sterling I	-1.3%	3.6%	7.4%
Prior to 31.12.15: MSCI ACWI Index, 01.01.16 – Present: MSCI World Index	-5.3%	2.8%	7.3%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Satisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** "We invest in quality, sustainable companies when short-term issues provide a clear valuation opportunity. We believe this focus on both quality and value offers a powerful combination, and has aided fund performance in a variety of market conditions. While we could not avoid the market downturn of early 2020, our concentrated portfolio of stocks held up better than the global stockmarket as a whole, building on strong relative performance during 2019."

**Outlook:** "Events like the extreme market reaction to the coronavirus pandemic are difficult to predict. While, from an investment viewpoint, such events can be painful in the short-term, they can also create opportunities for long-term investors. We believe that investing in quality companies when they are being undervalued can help to generate long-term value for investors in the fund. Looking forward, we continue to be optimistic about the prospects of the stocks within the portfolio."

John William Olsen, M&G Global Select Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale



Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Global Strategic Value Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. In a challenging climate for investment strategies focused on cheaper parts of the stockmarket, the fund has not achieved its performance target. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward, under the new fund management team. Though the non-Sterling 'A' share classes have relatively high annual charges compared to competitor funds, value has been achieved across other criteria. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.40%	●	●	●	●	●	●	●	●
Sterling R	1.15%	●	●	●	●	●	●	●	●
Sterling I	0.90%	●	●	●	●	●	●	●	●
Euro A	1.90%	●	●	●	●	●	●	●	●
Euro C	0.90%	●	●	●	●	●	●	●	●
USD A	1.90%	●	●	●	●	●	●	●	●
USD C	0.90%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





# 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Euro A	● Good
Euro C	● Good
USD A	● Good
USD C	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

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

(Please note that the performance of non-Sterling share classes should be compared with the respective non-Sterling benchmark below.)

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-18.7%	-7.4%	0.7%
Sterling R	-18.4%	-7.0%	1.2%
Sterling I	-18.2%	-6.7%	1.5%
Euro A	-21.7%	-8.6%	-3.3%
Euro C	-20.9%	-7.7%	–
USD A	-23.7%	-7.9%	-3.2%
USD C	-22.9%	-7.0%	–
MSCI ACWI Index	-6.2%	2.3%	7.2%
MSCI ACWI Index [EUR]	-8.7%	1.2%	3.0%
MSCI ACWI Index [CHF]	-10.8%	2.0%	3.4%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Euro A	● Must improve
Euro C	● Not applicable
USD A	● Must improve
USD C	● Not applicable

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Our style of investing, which focuses on finding opportunities among unloved cheap stocks, has struggled in the risk-averse environment of recent years. The global market sell-off in early 2020 was an especially challenging climate for the fund. In our view, though, investor sentiment was influenced principally by macroeconomic concerns and the merits of individual companies were often ignored. It is also worth noting that global equities returns were driven by a few mega cap companies, where the valuation has stretched to what we believe to be an unsustainable extent.”

**Outlook:** “After a difficult few years, we believe the outlook for careful value-focused investors is encouraging. While there is still considerable uncertainty about the ongoing impact of the coronavirus pandemic, as long-term investors we believe there are some very exciting opportunities in global stockmarkets, particularly among the shares of out-of-favour companies. By looking for stocks that are under-valued, we can participate in any future recovery in value. We continue to believe that many of our holdings have attractive long-term prospects that are being overlooked. We are optimistic that when investors start paying attention to the potential of individual companies again, they will look more favourably on these stocks.”

Richard Halle, Daniel White and Shane Kelly, M&G Global Strategic Value Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward, under the new fund management team. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory
USD A	● Satisfactory
USD C	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale



Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling R	● Good
Sterling I	● Good
Euro A	● Good
Euro C	● Good
USD A	● Good
USD C	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Must improve
Euro C	● Satisfactory
USD A	● Must improve
USD C	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
The fund has non-Sterling share classes that are among the most expensive quartile in its peer group.	The annual charge on these non-Sterling share classes includes rebates that are paid to their distributor outside of the UK. They are therefore not directly comparable to the peer group. Since this pricing structure is commonplace in European markets where these share classes are distributed, we conclude that no action is required.

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory
USD A	● Satisfactory
USD C	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory
USD A	● Satisfactory
USD C	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Global Target Return Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While its performance target has not been achieved in challenging market conditions, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and M&G is reviewing the appropriateness of the fund's objective. Overall, we find that satisfactory value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	0.85%	●	●	●	●	●	●	●	●
Sterling I	0.65%	●	●	●	●	●	●	●	●
Sterling PP	0.55%	●	●	●	●	●	●	●	●
Sterling L	0.25%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





## 1. Quality of services

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to achieve a total return (the combination of income and capital growth) of at least 4%, per annum above the 3-month GBP LIBOR rate, before any charges are taken, in any market conditions and over any three-year period. LIBOR is the rate at which banks borrow money from each other.

The fund aims to achieve this while seeking to minimise the degree to which the value of the fund fluctuates over time (volatility), while also seeking to limit monthly losses. Managing the fund in this way reduces its ability to achieve returns significantly above 3-month GBP LIBOR plus 4%.

There is no guarantee that the fund will achieve a positive return over three years, or any other period, and investors may not get back the original amount they invested.

The fund has not met its objective, based on returns net of fees, over the three-year period ending 31 March 2020, and is therefore rated as “must improve”. (Note that while the fund objective is gross of fees, we have considered returns net of fees across all funds in this Value Assessment.)

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-3.7%	-0.9%	–
Sterling I	-3.5%	-0.7%	–
Sterling PP	-3.4%	-0.7%	–
Sterling L	-3.3%	-0.6%	–
3-month GBP LIBOR + 4.0%	4.9%	4.7%	4.6%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve
Sterling L	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Since launching in December 2016, the fund has succeeded in minimising the degree to which its value fluctuates over time, but investment returns have been below the stated target for the fund. Initially, until May 2018, performance had generally exceeded expectations. However, a subsequently challenging macroeconomic backdrop, involving a protracted trade dispute between the US and China followed by the global outbreak of the coronavirus, has weighed on performance. We had positioned the portfolio to capitalise on a positive medium-term outlook for global company shares and several emerging market bonds and currencies, relative to developed market government bonds. The fund’s flexibility, however, helped us to mitigate some of the worst effects of market declines in March 2020.”

**Outlook:** “The broad market declines in early 2020 allowed us to purchase assets at significant discounts to earlier price levels, which we believe should support the medium-term performance of the fund. Our M&G Multi Asset team has consistently applied its investment strategy through the ups and downs of financial markets for 20 years, and we believe maintaining this discipline should help us to navigate the period ahead.”

Tristan Hanson, M&G Global Target Return Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	M&G is reviewing the appropriateness of the fund's objective. Any proposals will be communicated to investors in the fund prior to the next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Good
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Not applicable
Sterling L	● Not applicable



## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>

# M&G Global Themes Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While its performance target has not been achieved, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objectives going forward. Overall, we find that satisfactory value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.36%	●	●	●	●	●	●	●	●
Sterling X	1.36%	●	●	●	●	●	●	●	●
Sterling R	1.11%	●	●	●	●	●	●	●	●
Sterling I	0.86%	●	●	●	●	●	●	●	●
Sterling PP	0.66%	●	●	●	●	●	●	●	●
Euro A	1.86%	●	●	●	●	●	●	●	●
Euro C	0.86%	●	●	●	●	●	●	●	●
USD A	1.86%	●	●	●	●	●	●	●	●
USD C	0.86%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Euro A	● Good
Euro C	● Good
USD A	● Good
USD C	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

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

(Please note that the performance of non-Sterling share classes should be compared with the respective non-Sterling benchmark below.)

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-3.1%	1.2%	5.6%
Sterling X	-3.1%	1.2%	5.6%
Sterling R	-2.7%	1.6%	6.1%
Sterling I	-2.5%	1.9%	6.4%
Sterling PP	-2.3%	2.0%	6.4%
Euro A	-6.6%	-0.2%	1.2%
Euro C	-5.7%	0.8%	2.2%
USD A	-8.9%	0.6%	1.6%
USD C	-8.0%	1.6%	2.6%
Prior to 16.11.17: FTSE Global Basic Composite Index [GBP], 17.11.17 – Present: MSCI ACWI Index [GBP]	-6.2%	2.0%	7.0%
Prior to 16.11.17: FTSE Global Basic Composite Index [EUR], 17.11.17 – Present: MSCI ACWI Index [EUR]	-8.3%	1.4%	2.9%
Prior to 16.11.17: FTSE Global Basic Composite Index [USD], 17.11.17 – Present: MSCI ACWI Index [USD]	-10.8%	1.7%	3.2%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve
Euro A	● Must improve
Euro C	● Must improve
USD A	● Must improve
USD C	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Since the fund manager change in January 2019, the portfolio has undergone a process of transition to reflect a new investment approach focusing on four long-term themes, namely demographics, environment, infrastructure and innovation. It has been pleasing to see the fund’s outperformance being driven by new stocks introduced during the transition. We continue to believe that our holdings benefit from thematic tailwinds and offer excellent prospects for long-term growth.”

**Outlook:** “We have confidence in our investment approach which combines the assessment of long-term growth with the discipline of valuation. Our conviction in thematic investing remains undeterred and we remain focused in our quest for beneficiaries of powerful structural trends. We believe that the portfolio is well placed not only to weather the current uncertainty, but to capture robust and sustainable growth over the long term.”

Alex Araujo, M&G Global Themes Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory
USD A	● Satisfactory
USD C	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Investors in this fund received a discount over the review period because assets under management exceeded this threshold of £1 billion. We believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good
Euro A	● Good
Euro C	● Good
USD A	● Good
USD C	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good
Euro A	● Must improve
Euro C	● Satisfactory
USD A	● Must improve
USD C	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
The fund has non-Sterling share classes that are among the most expensive quartile in its peer group.	The annual charge on these non-Sterling share classes includes rebates that are paid to their distributor outside of the UK. They are therefore not directly comparable to the peer group. Since this pricing structure is commonplace in European markets where these share classes are distributed, we conclude that no action is required.

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory
USD A	● Satisfactory
USD C	● Satisfactory



## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory
USD A	● Satisfactory
USD C	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>

# M&G Index Tracker Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. Although the fund has not met its performance target, this reflects the inherent difficulty for tracker funds to deliver returns in line with the index, after the effect of charges. A thorough review of the fund's performance and strategy has been conducted, and M&G is reviewing the appropriateness of the fund's objective. Value has been achieved across other criteria, however, and we find that satisfactory value has been delivered overall to all share classes, with good value delivered to 'I' share class holders.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	0.45%	●	●	●	●	●	●	●	●
Sterling I	0.20%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





# 1. Quality of services

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to track the FTSE All-Share Index.

The fund has not met its objective, based on returns net of fees, over the five-year period ending 31 March 2020, and is therefore rated as “must improve”. This notwithstanding, investment returns have tracked the benchmark index closely.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-18.7%	-4.7%	-0.1%
Sterling I	–	–	–
FTSE All-Share Index	-18.5%	-4.2%	0.6%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling I	○ Not applicable

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The fund holds most of the shares contained in the FTSE All-Share Index, at roughly the same weightings. The UK stockmarket declined sharply in early 2020, as the effects of the coronavirus pandemic weighed heavily on investors’ outlooks. In this climate, the fund tracked the performance of the FTSE All-Share Index and delivered negative returns, offsetting the gains of recent years. While the performance of a tracker fund is unlikely to deviate much from the index, the effects of market timing, fund charges and other factors can all lead to under- or outperformance over any given period.”

**Outlook:** “Policymakers globally have responded to the evolving coronavirus pandemic and have shown they are prepared to take unprecedented action to mitigate the global growth slowdown, but a recession is now likely. Meanwhile, fiscal and monetary policies are providing a buffer against the economic fallout but risk aversion is likely to continue in the near term.”

Richard O’Connor, M&G Index Tracker Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	M&G is reviewing the appropriateness of the fund's objective. Any proposals will be communicated to investors in the fund prior to the next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling I	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	○ Not applicable



## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>

# M&G Index-Linked Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. The fund has outperformed its target benchmark and we are satisfied that it is appropriately structured to meet its objective going forward. Value has been achieved across other criteria and we find that satisfactory value has been delivered overall to both share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	0.55%	●	●	●	●	●	●	●	●
Sterling I	0.30%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the FTSE UK Index-linked Gilts All Stocks Index over any five-year period.

The fund has met its objective over the five-year period ending 31 March 2020, and is therefore rated as “satisfactory”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	4.4%	3.0%	5.9%
Sterling I	4.6%	3.2%	6.0%
FTSE UK Index-linked Gilts All Stocks Index	2.2%	2.7%	5.7%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “We have positioned the fund to be less sensitive to the possibility of rising interest rates for some time, based on our view that UK interest rates would increase. While this positioning has helped offset some of the fluctuations in the value of index-linked UK government bonds in recent years, it has also meant that we did not fully capture the overall decline in index-linked gilt yields at a time when investors favoured their perceived safety.”

**Outlook:** “In the near term, we think the impact of the coronavirus-induced shutdown will slow the pace of inflation as demand in the economy has fallen sharply. Over the medium term, however, we think the massive increases in government borrowing and measures to stimulate the economy could result in higher UK inflation over the coming years. Given our focus on inflation-linked bonds, we believe the fund will be well placed in such an environment.”

Ben Lord, M&G Index-Linked Bond Fund

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.

#### Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling I	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Japan Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While its performance target has not been achieved, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward, under the new fund management team. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.40%	●	●	●	●	●	●	●	●
Sterling X	1.40%	●	●	●	●	●	●	●	●
Sterling R	1.15%	●	●	●	●	●	●	●	●
Sterling I	0.90%	●	●	●	●	●	●	●	●
Sterling PP	0.70%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

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

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-11.2%	-6.1%	2.2%
Sterling X	-11.2%	-6.1%	2.2%
Sterling R	-10.9%	-5.7%	2.7%
Sterling I	-10.6%	-5.5%	2.9%
Sterling PP	-10.5%	-5.4%	3.0%
MSCI Japan Index	-1.5%	1.6%	5.9%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “When I was appointed fund manager in late September 2019, the fund had a strong bias towards the ‘deep value’ style, meaning it focused on the cheaper parts of the Japanese stockmarket. The fund’s relative underperformance in 2018 and 2019 was largely determined by this. In 2019 in particular, performance was held back by the omission from the portfolio of some large, quality companies that performed strongly.”

**Outlook:** “Since September 2019, we have been gradually moving the portfolio away from any strong style bias. We want performance to be driven by the idiosyncratic stock price movements in companies that we have a deep understanding of and invest in. Where we have found opportunities to buy high quality businesses at compelling valuations, we have not hesitated to. Looking forward, we think the valuations of Japanese companies are highly supportive for prospective long-term returns. More importantly, the significant variation in valuation between stocks, combined with our active engagement with companies on issues such as balance sheet restructuring and corporate governance, gives us the opportunity to add value for investors. We are highly excited about the current potential of the portfolio.”

Carl Vine, M&G Japan Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward, under the new fund management team. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Not applicable



## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>

# M&G Japan Smaller Companies Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While its performance target has not been achieved, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward, under the new fund management team. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.40%	●	●	●	●	●	●	●	●
Sterling X	1.40%	●	●	●	●	●	●	●	●
Sterling R	1.15%	●	●	●	●	●	●	●	●
Sterling I	0.90%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the Russell/Nomura Mid-Small Cap Index over any five-year period.

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-16.4%	-8.4%	3.0%
Sterling X	-16.4%	-8.4%	3.0%
Sterling R	-16.1%	-8.0%	3.5%
Sterling I	-15.9%	-7.7%	3.7%
Russell/Nomura Mid-Small Cap Index	-6.9%	-0.1%	6.2%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “When I was appointed fund manager in late September 2019, the fund had a strong bias towards the ‘deep value’ style, meaning it focused on the cheaper parts of the Japanese stockmarket. The fund’s relative underperformance in 2018 and 2019 was largely determined by this. In 2019 in particular, performance was held back by the omission from the portfolio of some mid cap quality companies that performed strongly.”

**Outlook:** “Since September 2019, we have been gradually moving the portfolio away from any strong style bias. We want performance to be driven by the idiosyncratic stock price movements in companies that we have a deep understanding of and invest in. Where we have found opportunities to buy high quality businesses at compelling valuations, we have not hesitated to. Looking forward, we think the valuations of Japanese companies are highly supportive for prospective long-term returns. More importantly, the significant variation in valuation between stocks, combined with our active engagement with companies on issues such as balance sheet restructuring and corporate governance, gives us the opportunity to add value for investors. We are highly excited about the current potential of the portfolio.”

Carl Vine, M&G Japan Smaller Companies Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward, under the new fund management team. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good

## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Managed Growth Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While the fund has not achieved its performance target in challenging market conditions, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and M&G is reviewing the appropriateness of the fund's objective. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.40%	●	●	●	●	●	●	●	●
Sterling X	1.40%	●	●	●	●	●	●	●	●
Sterling R	1.15%	●	●	●	●	●	●	●	●
Sterling I	0.90%	●	●	●	●	●	●	●	●
Sterling PP	0.75%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





# 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to deliver a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of a composite index comprising 85% global equities and 15% global bonds\*, over any five-year period.

\*as measured by the MSCI ACWI Index and Bloomberg Barclays Global Aggregate Index, respectively.

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-14.1%	-3.2%	3.0%
Sterling X	-14.1%	-3.4%	2.8%
Sterling R	-14.0%	-3.1%	3.2%
Sterling I	-13.8%	-2.9%	3.4%
Sterling PP	-13.7%	-2.8%	3.4%
Prior to 31.08.18: FTSE World Index, 01.09.18 – Present: 85% MSCI ACWI, 15% Bloomberg Barclays Global Aggregate GBP Hedged Index	-4.4%	3.3%	7.9%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Prior to 2015, when I was appointed fund manager, a number of factors adversely affected the fund’s performance, including its large exposure to the basic materials sector at a time when it was weak. The very large short positions in US dollar assets also detracted strongly from relative performance. Most of the fund is invested in company shares, so global stockmarkets have largely driven performance since. While it subsequently performed well when the global economic environment was improving, as in 2016 and 2017, periods when concern arose about the strength of global growth, as in 2018, were more challenging. The stockmarket downturn in early 2020 inevitably hit the fund. Although negative returns are disappointing, short-term falls in value do not always translate into longer-term losses.”

**Outlook:** “We believe that, while the current macroeconomic situation is highly uncertain, the extreme fluctuations in market prices mean that the current disruption is not all fundamental, but is a function of investor panic to some extent. In emotionally challenging situations like this, having a clear framework for dealing with uncertainty is necessary. By staying true to our investment approach, we are confident of creating longer-term opportunities for our investors. By having a high weighting to equities, the fund ought to benefit from any stockmarket recovery.”

David Fishwick, M&G Managed Growth Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	M&G is reviewing the appropriateness of the fund's objective. Any proposals will be communicated to investors in the fund prior to the next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G North American Dividend Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. Although the fund met its income growth objective, it did not achieve its total return performance target. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objectives going forward. We note though the challenging short-term outlook for funds that pursue income from company dividends. Value has been achieved across other criteria, and we find that satisfactory value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.20%	●	●	●	●	●	●	●	●
Sterling X	1.20%	●	●	●	●	●	●	●	●
Sterling R	0.95%	●	●	●	●	●	●	●	●
Sterling I	0.70%	●	●	●	●	●	●	●	●
Sterling PP	0.55%	●	●	●	●	●	●	●	●
Sterling I-H	0.73%	●	●	●	●	●	●	●	●
Sterling PP-H	0.58%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling I-H	● Good
Sterling PP-H	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the S&P 500 Index over any five-year period; and
- To provide an income stream that increases every year in US dollar terms.

While the fund has met its income growth objective, its total return objective has not been met over the five-year period ending 31 March 2020 and the fund is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-5.3%	4.1%	8.9%
Sterling X	-5.3%	4.1%	8.9%
Sterling R	-5.0%	4.6%	9.4%
Sterling I	-4.7%	4.8%	9.7%
Sterling PP	-4.6%	4.9%	9.7%
Sterling I-H	–	–	–
Sterling PP-H	–	–	–
S&P 500 Index	-2.2%	5.4%	10.6%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve
Sterling I-H	● Must improve
Sterling PP-H	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The portfolio’s energy-related stocks have weighed on relative performance over the past year, although the cashflows generated by our pipeline holdings have limited sensitivity to the oil price. Negative investor sentiment has infiltrated all of the energy sector, as it did in 2015 before a strong recovery in 2016. Equity markets have been rattled by the pandemic, but the sharp declines in share prices are creating some wonderful buying opportunities for long-term winners, in our view.”

**Outlook:** “We are taking advantage of the market downturn with decisive action. We have seen particular opportunities to invest in rapidly growing companies that benefit from structural trends. We are conscious of the reality that dividends will be tested in 2020. Dividends are under political pressure and it would be reasonable to expect more dividend cuts, if not outright eliminations, as the year progresses. Being selective will be paramount.”

John Weavers, M&G North American Dividend Fund

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#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good
Sterling I-H	● Good
Sterling PP-H	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling I-H	● Good
Sterling PP-H	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Not applicable
Sterling I-H	● Satisfactory
Sterling PP-H	● Not applicable

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling I-H	● Satisfactory
Sterling PP-H	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G North American Value Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. In a challenging climate for investment strategies focused on cheaper parts of the stockmarket, the fund has not achieved its performance target. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Value has been achieved across other criteria, however, and we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.20%	●	●	●	●	●	●	●	●
Sterling X	1.20%	●	●	●	●	●	●	●	●
Sterling R	0.95%	●	●	●	●	●	●	●	●
Sterling I	0.70%	●	●	●	●	●	●	●	●
Sterling PP	0.55%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

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## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the S&P 500 Index over any five-year period.

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-14.9%	-3.4%	4.6%
Sterling X	-14.9%	-3.4%	4.6%
Sterling R	-14.6%	-3.0%	5.1%
Sterling I	-14.4%	-2.7%	5.3%
Sterling PP	-14.3%	-2.7%	5.4%
S&P 500 Index	-2.2%	5.4%	10.6%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Our style of investing, which focuses on finding opportunities among unloved cheap stocks, has struggled in the risk-averse environment of recent years. There has been a consistent trend for investors to generally prefer the shares of companies that offer more reliable growth prospects. This has presented a significant headwind for our ‘value’ approach and hampered performance relative to the US stockmarket as a whole, particularly in 2018 and 2019.”

**Outlook:** “We have stuck to our approach through several challenging years and, looking ahead, we are excited about the outlook. While there is still considerable uncertainty about the ongoing impact of coronavirus, as long-term investors we believe there are some very exciting opportunities in the market, particularly among value stocks that have been shunned. The broad sell-off in early 2020 also provided opportunities to buy some strong companies at compelling prices. We believe that our portfolio has the potential to deliver long-term outperformance and will continue to look carefully for stocks whose prospects we think are being underappreciated.”

Daniel White, M&G North American Value Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good

## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required





## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Optimal Income Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. In challenging market conditions, not every share class has achieved its performance target. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Though some of the fund's share classes have relatively high annual charges compared to competitor funds, value has been achieved across other criteria. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.34%	●	●	●	●	●	●	●	●
Sterling X	1.34%	●	●	●	●	●	●	●	●
Sterling R	1.09%	●	●	●	●	●	●	●	●
Sterling I	0.84%	●	●	●	●	●	●	●	●
Sterling J	0.69%	●	●	●	●	●	●	●	●
Sterling PP	0.69%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling J	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than the average return of the IA £ Strategic Bond Sector, over any five-year period.

Half of the fund's share classes have met their objective over the five-year period ending 31 March 2020, and are therefore rated as "satisfactory".

Those that have not are rated as "must improve".

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-6.7%	-1.1%	0.6%
Sterling X	-6.7%	-1.1%	0.6%
Sterling R	-6.4%	-0.8%	0.9%
Sterling I	-6.2%	-0.6%	1.1%
Sterling J	-6.1%	–	–
Sterling PP	-6.1%	-0.5%	1.1%
(IA) £ Strategic Bond Sector Average	-2.1%	0.8%	1.7%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Satisfactory
Sterling J	● Satisfactory
Sterling PP	● Satisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** "Over the past few years, we have held the conviction that government bonds are expensive and offer poor long-term value compared to corporate bonds, particularly investment grade names. We acknowledge that this view – against the market consensus – has weighed on our performance at times, particularly in early 2020 as the coronavirus pandemic prompted a flight to the perceived safety of government bonds."

**Outlook:** "We are constantly monitoring and reviewing how we position the portfolio as the bond market tries to adjust to an inevitable downturn in the global economy. We do believe the strong downward correction to asset prices could lead to attractive opportunities. Corporate bond prices, even those of investment grade issuers, have priced in record-level default rates in the coming years. It is possible that the degree of pessimism in some areas of the market is overdone."

Richard Woolnough, M&G Optimal Income Fund

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#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling J	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Investors in this fund received a discount over the review period because assets under management exceeded this threshold of £1 billion. We believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling J	● Good
Sterling PP	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Satisfactory
Sterling I	● Must improve
Sterling J	● Satisfactory
Sterling PP	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
The fund has share classes that are among the most expensive quartile in its peer group.	M&G is conducting a major review of the annual charges for its range of UK-based funds. We look forward to reporting on this in our next Value Assessment, if not sooner.

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling J	● Satisfactory
Sterling PP	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling J	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Pan European Select Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. All share classes except the 'A' and 'X' outperformed the target benchmark, and value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.20%	●	●	●	●	●	●	●	●
Sterling X	1.20%	●	●	●	●	●	●	●	●
Sterling R	0.95%	●	●	●	●	●	●	●	●
Sterling I	0.70%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

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

Half of the fund's share classes have met their objective over the five-year period ending 31 March 2020, and are therefore rated as "satisfactory". Those that have not are rated as "must improve".

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-13.3%	-1.8%	2.7%
Sterling X	-13.3%	-1.8%	2.7%
Sterling R	-13.0%	-1.3%	3.2%
Sterling I	-12.8%	-1.1%	3.4%
MSCI Europe Index	-10.6%	-1.5%	2.9%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Satisfactory
Sterling I	● Satisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** "We invest in quality, sustainable companies when short-term issues provide a clear valuation opportunity. We have seen short-term underperformance in early 2020, due to stock-specific issues in the face of the coronavirus pandemic. Over the longer term, however, our investment approach, focusing on both quality and value, has allowed the fund to outperform the European stockmarket as a whole in a variety of market conditions."

**Outlook:** "Events like the extreme market reaction to the coronavirus pandemic are difficult to predict. While, from an investment viewpoint, such events can be painful in the short term, they can also create opportunities for long-term investors. We believe that investing in quality companies when they are being undervalued can help to generate long-term value for investors in the fund. Looking forward, we continue to be optimistic about the prospects of the stocks within the portfolio."

John William Olsen, M&G Pan European Select Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Pan European Select Smaller Companies Fund

## Conclusions from the Value Assessment

We are unable to conclude that the fund has delivered value to its investors over the review period. The fund has consistently fallen short of its performance target, and we have determined that action must be taken by M&G to ensure it is better placed to achieve its objective going forward. For this reason, we have rated the fund as “unsatisfactory” for its performance. Notwithstanding where value has been achieved across other criteria, this dictates the overall rating for all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.35%	●	●	●	●	●	●	●	●
Sterling X	1.35%	●	●	●	●	●	●	●	●
Sterling R	1.10%	●	●	●	●	●	●	●	●
Sterling I	0.85%	●	●	●	●	●	●	●	●
Euro A	1.65%	●	●	●	●	●	●	●	●
Euro C	0.85%	●	●	●	●	●	●	●	●
USD A	1.65%	●	●	●	●	●	●	●	●
USD C	0.85%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Euro A	● Good
Euro C	● Good
USD A	● Good
USD C	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income) than that of the EMIX Smaller European Companies Index, net of the Ongoing Charges Figure, over any five-year period.

(Please note that the performance of non-Sterling share classes should be compared with the respective non-Sterling benchmark below.)

The fund has not met its objective over the five-year period ending 31 March 2020, and has consistently fallen short of its performance target. We consider this to be “unsatisfactory”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-21.7%	-10.4%	0.4%
Sterling X	-21.7%	-10.4%	0.4%
Sterling R	-21.5%	-10.0%	0.9%
Sterling I	-21.3%	-9.7%	1.1%
Euro A	-24.4%	-11.4%	-3.6%
Euro C	-23.8%	-10.7%	-2.8%
USD A	-26.3%	-10.6%	-3.2%
USD C	-25.7%	-10.0%	-2.5%
EMIX Smaller European Companies Index	-14.6%	-2.9%	4.3%
EMIX Smaller European Companies Index [EUR]	-16.8%	-4.0%	0.1%
EMIX Smaller European Companies Index [USD]	-18.7%	-3.2%	0.6%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Unsatisfactory
Sterling X	● Unsatisfactory
Sterling R	● Unsatisfactory
Sterling I	● Unsatisfactory
Euro A	● Unsatisfactory
Euro C	● Unsatisfactory
USD A	● Unsatisfactory
USD C	● Unsatisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The shares of smaller companies are inherently more volatile than their larger counterparts, as highlighted during the stockmarket sell-off in early 2020. The coronavirus pandemic has had a particularly negative effect on the share prices of smaller European companies, which declined further than European and global stockmarkets overall. While some of our holdings suffered short-term disruption from the economic shutdown, we believe the recent sell-off has generally been indiscriminate, with risk-averse investors overlooking the longer-term, fundamental prospects of companies.”

**Outlook:** “Events like the extreme market reaction to the pandemic are difficult to predict. While short-term market downturns can be uncomfortable, it can create opportunities for long-term investors. After the broad sell-off, we bought the shares of strong companies that we previously thought were overvalued, and where we see great long-term potential for our investors. We take the view that when share prices are suppressed during periods of risk aversion, it represents a lower risk entry point for long-term investors in smaller companies.”

Michael Oliveros, M&G Pan European Select Smaller Companies Fund

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.

#### Where can we improve?

The issue	Our action
The fund has consistently fallen short of its performance target.	We, the Board, have determined that action must be taken by M&G to deliver improved outcomes. We will update investors on the progress that has been made at the appropriate time, prior to the next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory
USD A	● Satisfactory
USD C	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Euro A	● Good
Euro C	● Good
USD A	● Good
USD C	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Good
Euro A	● Must improve
Euro C	● Good
USD A	● Must improve
USD C	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
The fund has non-Sterling share classes that are among the most expensive quartile in its peer group.	The annual charge on these non-Sterling share classes includes rebates that are paid to their distributor outside of the UK. They are therefore not directly comparable to the peer group. Since this pricing structure is commonplace in European markets where these share classes are distributed, we conclude that no action is required.

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Not applicable
Sterling X	● Not applicable
Sterling R	● Not applicable
Sterling I	● Not applicable
Euro A	● Not applicable
Euro C	● Not applicable
USD A	● Not applicable
USD C	● Not applicable

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory
USD A	● Satisfactory
USD C	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Positive Impact Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered good value to its investors over the review period. While we are unable to assess performance against its total return target, since the fund only launched in 2018, it has achieved its impact goal and we are satisfied that the fund is appropriately structured to meet its objectives going forward. Value has been achieved across other criteria and we find that good value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.35%	●	●	●	●	●	●	●	●
Sterling R	1.10%	●	●	●	●	●	●	●	●
Sterling I	0.85%	●	●	●	●	●	●	●	●
Sterling PP	0.65%	●	●	●	●	●	●	●	●
Sterling L	0.60%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the Ongoing Charges Figure, than the MSCI ACWI Index over any five-year period; and
- To invest in companies that aim to have a positive societal impact through addressing the world's major social and environmental challenges.

The fund has achieved its impact objective since launch in 2018, having demonstrated how the revenues of portfolio holdings stem from activities aligned to the UN Sustainable Development Goals. Having only recently launched, the fund's performance cannot be assessed against its five-year total return objective.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	0.0%	–	–
Sterling R	0.3%	–	–
Sterling I	0.5%	–	–
Sterling PP	0.7%	–	–
Sterling L	0.8%	–	–
MSCI ACWI Index	-6.2%	2.3%	7.2%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Not applicable
Sterling R	● Not applicable
Sterling I	● Not applicable
Sterling PP	● Not applicable
Sterling L	● Not applicable

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “We make long-term investments in quality, sustainable companies that aim to generate a positive social or environmental impact alongside a financial return. Since the fund only launched in November 2018, there is not sufficient track record to make any assessment against our longer-term performance objectives. Our approach has proven resilient over the past year, however, allowing us to deliver measurable societal impact, as well as positive returns, in extremely difficult market conditions in the face of the coronavirus pandemic.”

**Outlook:** “We believe impact investing can make a difference, supporting companies who have the intention to make a positive impact on society and the environment. The social and human costs of the pandemic have made this even more obvious. Our focus is on the ability of our holdings to generate long-term value for investors in the fund, and their ability to deliver long-term positive impact to society. We remain confident in the quality of the companies within the portfolio, and we continue to be optimistic about their prospects.”

John William Olsen, M&G Positive Impact Fund

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.

Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM’s overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good
Sterling L	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Property Portfolio

## Conclusions from the Value Assessment

We are unable to conclude that the fund has delivered value to its investors over the review period. We understand how frustrating the fund's suspension has been since December 2019, given that being able to deal is part of the service offered to investors. We therefore rate the quality of service as "must improve". Nonetheless, we believe that suspension is a tool that has been used in the best interests of investors, to protect value in the face of very challenging conditions in the UK commercial property market. The Board continue to monitor the suspension closely. Although value has been achieved across other criteria, the fund's performance is also rated as "must improve". Overall, we therefore do not find that value has been delivered to investors in any share class.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.31%	●	●	●	●	●	●	●	●
Sterling X	1.31%	●	●	●	●	●	●	●	●
Sterling R	1.06%	●	●	●	●	●	●	●	●
Sterling I	0.81%	●	●	●	●	●	●	●	●
Sterling D	0.56%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling D	● Must improve

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
Since 4 December 2019, dealing in the fund has been suspended, meaning investors are unable to deal daily, as specified in the fund’s prospectus.	<p>We, the Board, continue to monitor the suspension closely, but are satisfied that the decision to suspend and the actions taken by M&amp;G, below, have been in the best long-term interests of our customers.</p> <ol style="list-style-type: none"> <li>1. The fund has been actively managed by M&amp;G throughout suspension.</li> <li>2. Recognising that being unable to deal in the fund is frustrating for investors, M&amp;G has waived 30% of the fund’s annual charge during suspension.</li> <li>3. While it is not possible to say how long the fund will be suspended, M&amp;G formally review the suspension on a monthly basis and keep investors updated via the M&amp;G website.</li> </ol>



## 2. Investment performance

The fund aims to provide a combination of capital growth and income over five years or more by investing mainly in UK commercial property.

While the fund has met its objective to provide income and growth to investors, total returns have lagged its comparative benchmark over the five-year period ending 31 March 2020 and the fund is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-8.9%	-0.6%	-0.4%
Sterling X	-8.9%	-0.6%	-0.4%
Sterling R	-8.7%	-0.3%	0.0%
Sterling I	-8.5%	-0.1%	0.1%
Sterling D	-8.4%	0.0%	0.3%
(IA) Property UK Sector Average	-2.6%	2.0%	2.4%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling D	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “The past year has been particularly challenging for the fund. The value of certain retail assets has fallen due to the rise of e-commerce and recent retailer failures. As well as reducing the portfolio’s retail sector exposure, we have ensured assets we hold are ‘best in class’ which is demonstrated by our low vacancy rate in the sector relative to peers. Over the past five years, relative performance has also been held back by our underweight exposure to industrial assets, which have performed strongly. Importantly too, the swing in fund pricing from creation to cancellation in 2016, which had a negative effect on total returns, has not reversed.”

**Outlook:** “Property has delivered excellent long-term returns and offers strong diversification benefits, as its returns have historically shown a low correlation with those of other main asset classes. Income has always played a dominant role in total returns from property and this is particularly likely to be the case in the near term given the outlook for the UK economy. The fund holds a diversified portfolio of predominantly prime and good secondary commercial properties. We believe the quality and, crucially, the income from these assets should be more resilient in times of market stress.”

Fiona Rowley and Justin Upton, M&G Property Portfolio

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling D	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Investors in this fund received a discount over the review period because assets under management exceeded this threshold of £1 billion. We believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling D	● Good

## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Good
Sterling I	● Good
Sterling D	● Outstanding

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required





## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling D	● Satisfactory



## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling D	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>

# M&G Recovery Fund

## Conclusions from the Value Assessment

We are unable to conclude that the fund has delivered value to its investors over the review period. The fund has consistently fallen short of its performance target, and we have determined that action must be taken by M&G to ensure it is better placed to achieve its objective going forward. For this reason, we have rated the fund as “unsatisfactory” for its performance. Notwithstanding where value has been achieved across other criteria, this dictates the overall rating for all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.31%	●	●	●	●	●	●	●	●
Sterling X	1.31%	●	●	●	●	●	●	●	●
Sterling R	1.06%	●	●	●	●	●	●	●	●
Sterling I	0.81%	●	●	●	●	●	●	●	●
Sterling PP	0.61%	●	●	●	●	●	●	●	●
Euro A	1.61%	●	●	●	●	●	●	●	●
Euro C	0.81%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Euro A	● Good
Euro C	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the FTSE All-Share Index over any five-year period.

(Please note that the performance of Euro share classes should be compared with the Euro benchmark below.)

The fund has not met its objective over the five-year period ending 31 March 2020, and has consistently fallen short of its performance target. We consider this to be “unsatisfactory”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-37.7%	-15.0%	-6.9%
Sterling X	-37.7%	-15.0%	-6.9%
Sterling R	-37.5%	-14.7%	-6.4%
Sterling I	-37.3%	-14.5%	-6.2%
Sterling PP	-37.2%	-14.4%	-6.2%
Euro A	-39.8%	-16.0%	-10.6%
Euro C	-39.4%	-15.4%	-9.9%
FTSE All-Share Index	-18.5%	-4.2%	0.6%
FTSE All-Share Index [EUR]	-20.6%	-5.3%	-3.4%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Unsatisfactory
Sterling X	● Unsatisfactory
Sterling R	● Unsatisfactory
Sterling I	● Unsatisfactory
Sterling PP	● Unsatisfactory
Euro A	● Unsatisfactory
Euro C	● Unsatisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “It has been an especially challenging year for the fund. The UK stockmarket, like others globally, fell dramatically in early 2020 amid the coronavirus pandemic. In this risk-averse climate, the shares of out-of-favour and struggling companies were hit especially hard. By definition, it is these unloved companies we invest in. It exacerbates the pattern of recent years, whereby investors have continued to prefer more solid, predictable stocks. This trend has largely determined the fund’s underperformance over much of the past decade.”

**Outlook:** “Despite having to weather an extended period of underperformance, we have stuck to our recovery proposition and been sorely tested for doing so. While many companies face major challenges in the short run, we are confident that many of our holdings are robust and show encouraging evidence of sound management. By giving companies the breathing space they need to execute a strategy for recovery, we can see a very material creation of value as the market re-rates those companies. We believe the potential of our portfolio remains considerable and expect that long-term opportunities will present themselves as the crisis eases and companies tap the markets to raise funds.”

Tom Dobell, M&G Recovery Fund

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.

#### Where can we improve?

The issue	Our action
The fund has consistently fallen short of its performance target.	We, the Board, have determined that action must be taken by M&G to deliver improved outcomes. We will update investors on the progress that has been made at the appropriate time, prior to the next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Investors in this fund received a discount over the review period because assets under management exceeded this threshold of £1 billion. We believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good
Euro A	● Good
Euro C	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good
Euro A	● Must improve
Euro C	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
The fund has non-Sterling share classes that are among the most expensive quartile in its peer group.	The annual charge on these non-Sterling share classes includes rebates that are paid to their distributor outside of the UK. They are therefore not directly comparable to the peer group. Since this pricing structure is commonplace in European markets where these share classes are distributed, we conclude that no action is required.

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Short Dated Corporate Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While only the 'I' and 'PP' share classes met their performance target, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	0.50%	●	●	●	●	●	●	●	●
Sterling I	0.40%	●	●	●	●	●	●	●	●
Sterling PP	0.30%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





# 1. Quality of services

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the Markit iBoxx EUR Corporates 1-3 year Index (GBP Hedged) over any five-year period.

Most of the fund's share classes have met their objective over the five-year period ending 31 March 2020, and are therefore rated as "satisfactory". Those that have not are rated as "must improve".

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-1.4%	0.2%	0.9%
Sterling I	-1.3%	0.3%	1.0%
Sterling PP	-1.2%	0.3%	1.0%
Markit iBoxx EUR Corporates 1-3 year Index (GBP Hedged)	-1.2%	–	–

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** "After delivering a strong performance during 2019, the fund was defensively positioned as we entered 2020. While the market-wide sell off over the first quarter of 2020 provided a challenging environment, in which the fund made a loss, the fund held up well relative to medium and longer dated corporate bond markets. Our performance was hampered by the portfolio's exposure to bonds issued by companies in the financial and automobile sectors, both of which fell out of favour as the economic outlook turned negative. The fund's relative lack of sensitivity to changes in interest rates also constrained performance, as government bond yields generally fell."

**Outlook:** "The coronavirus pandemic has completely changed the global economic outlook in 2020. Ultimately, the direction of bond markets depends mainly on shifting investor expectations of how long the world will take to return to normality. In this environment, we are selectively taking advantage of lower bond prices where we believe we are well compensated for the level of risk involved. We are nonetheless being cautious on which companies we own the debt of, given the challenges many are facing."

Matthew Russell, M&G Short Dated Corporate Bond Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling I	● Good
Sterling PP	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Good
Sterling I	● Good
Sterling PP	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Smaller Companies Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered good value to its investors over the review period. The fund has delivered good performance, beating its target benchmark in a challenging market for smaller company investors. Value has been achieved across other criteria, and we find that good value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.35%	●	●	●	●	●	●	●	●
Sterling X	1.35%	●	●	●	●	●	●	●	●
Sterling R	1.10%	●	●	●	●	●	●	●	●
Sterling I	0.85%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to deliver a higher total return (the combination of capital growth and income) than the Numis Smaller Companies (ex Investment Trust) Index, net of the Ongoing Charge Figure, over any five-year period.

The fund has delivered total returns in excess of its objective over the five-year period ending 31 March 2020, and its share classes are therefore rated as “good” or “outstanding”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-15.0%	-2.3%	3.1%
Sterling X	-15.0%	-2.3%	3.1%
Sterling R	-14.7%	-1.9%	3.6%
Sterling I	-14.5%	-1.7%	3.9%
Numis Smaller Companies Index excluding Investment Companies	-25.9%	-8.3%	-1.0%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “We aim to seek out good quality smaller companies that are under-appreciated by other investors and thus attractively valued. It is our core belief that a quality portfolio will deliver a superior performance over time. I believe this is demonstrated by the fund’s relative outperformance over the past five years, not least during 2019 when relative performance was driven by positive stock selection and sector allocation.”

**Outlook:** “In the current challenging environment, we will continue to focus on higher quality companies, that is, those with stronger balance sheets than their immediate competitors and that look better placed to come out of the present downturn as winners. We expect the extremely volatile period that we have seen in early 2020 will continue for some time, but feel there are still many good companies to examine at far lower valuations than were evident at the end of 2019, before the sharp market downturn.”

Garfield Kiff, M&G Smaller Companies Fund

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.

#### Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Strategic Corporate Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While the fund has not achieved its performance target in challenging market conditions, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward, following the addition of a new co-fund manager. Despite having higher annual charges than similar M&G products, we find that satisfactory value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.11%	●	●	●	●	●	●	●	●
Sterling X	1.11%	●	●	●	●	●	●	●	●
Sterling R	0.86%	●	●	●	●	●	●	●	●
Sterling I	0.61%	●	●	●	●	●	●	●	●
Sterling PP	0.46%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than the average of the IA £ Corporate Bond Sector, over any five-year period.

The fund has not met its objective over the five-year period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-3.4%	0.2%	1.3%
Sterling X	-3.4%	0.2%	1.2%
Sterling R	-3.1%	0.4%	1.5%
Sterling I	-2.9%	0.7%	1.7%
Sterling PP	-2.7%	0.7%	1.8%
(IA) £ Corporate Bond Sector Average	0.7%	1.8%	2.7%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Over the past few years, we have held the conviction that the global economy is fundamentally strong. While the investment positions we have taken to reflect this view helped drive strong returns in 2019, it has weighed on fund performance in early 2020 as investors worried about the impact of coronavirus on the global economy.”

**Outlook:** “We are constantly monitoring and reviewing how we position the portfolio as the bond market tries to adjust to an inevitable downturn in the global economy. As we navigate this period, we are focusing on investment grade corporate bonds issued by companies with steady cashflows. We do believe the strong downward correction to asset prices could lead to attractive opportunities for long-term investors. It is possible that the degree of investor pessimism in some areas of the market is overdone.”

Richard Woolnough and Ben Lord, M&G Strategic Corporate Bond Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Investors in this fund received a discount over the review period because assets under management exceeded this threshold of £1 billion. We believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
There are comparable funds or mandates that are materially cheaper than share classes in the fund.	M&G is conducting a major review of the annual charges for its range of UK-based funds. We look forward to reporting on this in our next Value Assessment, if not sooner.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G Sustainable Multi Asset Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered good value to its investors over the review period. Having only recently launched, we are unable to assess the fund's performance against its objective. Nonetheless, we are glad to find the quality of service delivered to most investors to be good and we believe the charges offer value compared to competitor funds.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.25%	●	●	●	●	●	●	●	●
Sterling R	1.00%	●	●	●	●	●	●	●	●
Sterling I	0.75%	●	●	●	●	●	●	●	●
Sterling PP	0.55%	●	●	●	●	●	●	●	●
Sterling L	0.50%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to provide a total return (the combination of capital growth and income) of 4% to 8% per annum over any five-year period, net of the Ongoing Charges Figure. The fund aims to provide this return while considering environmental, social and governance (ESG) factors.

There is no guarantee that the fund will achieve a positive return over five years or any other period and investors may not get back the original amount they invested.

Having only recently launched, the fund's performance cannot be assessed against its five-year total return objective.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-5.2%	–	–
Sterling R	-4.9%	–	–
Sterling I	-4.7%	–	–
Sterling PP	-4.6%	–	–
Sterling L	-4.5%	–	–
(IA) Mixed Investment 20-60% Shares Sector	-7.4%	-1.5%	1.2%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Not applicable
Sterling R	● Not applicable
Sterling I	● Not applicable
Sterling PP	● Not applicable
Sterling L	● Not applicable

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Since the fund only launched in February 2019, there is not sufficient track record to make any assessment against our longer-term performance objectives. The fund did record strong performance during 2019, however it is largely invested in global company shares (equities) and a variety of bonds. Most of these did not escape the effects of the global market downturn in early 2020. Despite the weakness in share prices generally, as well as in certain bonds, we believe the companies held as part of the fund's positive impact exposure achieved many contributions to overcoming some of the world's biggest societal and environmental challenges.”

**Outlook:** “We believe that equities have greater potential to generate returns than bonds over the longer term, as economies and sectors recover from the coronavirus downturn. However, opportunities are likely to arise at different times within each market and asset class. Therefore, our flexibility to change the portfolio allocation is crucial in pursuing our long-term objective. We also believe that interest in sustainable investing will continue to grow, as investors look for opportunities for their savings to be able to promote positive change.”

Maria Municchi, M&G Sustainable Multi Asset Fund

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.

#### Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good

## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good
Sterling L	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required





## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory
Sterling L	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G UK Income Distribution Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered good value to its investors over the review period. Although the fund has not met its capital growth objective, it has achieved both its income and yield-related performance targets, which are its primary considerations. Noting the challenging short-term outlook for funds that pursue income from company dividends, we are satisfied it is appropriately structured to continue meeting these objectives going forward. Value has been achieved across other criteria, and we find that good value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.20%	●	●	●	●	●	●	●	●
Sterling X	1.20%	●	●	●	●	●	●	●	●
Sterling R	0.95%	●	●	●	●	●	●	●	●
Sterling I	0.70%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory    ● Must improve    ● Satisfactory    ● Good    ● Outstanding    ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to increase income distributions over time and targets a yield greater than that of the FTSE All-Share Index. Although income will be the primary consideration, the investment manager will also aim for capital growth.

While the fund has not met its capital growth objective over the five-year period ending 31 March 2020, it has met both its income and yield-related performance targets, which are its primary considerations, and performance is therefore rated as “satisfactory”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-15.5%	-3.9%	0.1%
Sterling X	-15.5%	-3.9%	0.0%
Sterling R	-15.2%	-3.6%	0.4%
Sterling I	-15.0%	-3.4%	0.6%
70% FTSE All Share Index, 30% FTSE UK Conventional Gilts All Stocks Index	-10.1%	-1.3%	2.2%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “Providing our investors with a high and rising income is an important objective for the fund. Over the past five years, we have grown income distributions and maintained a dividend yield higher than the FTSE All-Share Index. While the sharp market downturn of early 2020 has unravelled recent capital growth, the sell-off has presented value opportunities. We sought to take advantage of the higher income yields available on many company shares. The yield on our bond holdings has remained relatively stable, and we continue to favour corporate bonds issued by quality companies over government bonds as this is where we see more value.”

**Outlook:** “We remain convinced of the longer-term opportunity presented by investing in higher yielding equities. It will be key in the next few months to strike the right balance between those companies with a good chance of maintaining their dividend, those whose lower share prices present valuation opportunities today, but may have cut their dividend, and those that will recover after the crisis and offer an exceptional income yield given their dividend-paying capacity. The portfolio’s allocation to bonds continues to play an important role in reducing fluctuations in the value and income of the fund.”

Michael Stiasny, M&G UK Income Distribution Fund

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.

#### Where can we improve?

The issue	Our action
No issues	No actions required

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale



Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
No issues	No actions required

## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Not applicable
Sterling X	● Not applicable
Sterling R	● Not applicable
Sterling I	● Not applicable

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# M&G UK Inflation Linked Corporate Bond Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While the fund has not met its performance target, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Overall, we find that satisfactory value has been delivered to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.15%	●	●	●	●	●	●	●	●
Sterling R	0.90%	●	●	●	●	●	●	●	●
Sterling I	0.65%	●	●	●	●	●	●	●	●
Sterling PP	0.50%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.



## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Sterling PP	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required



## 2. Investment performance

The fund aims to protect the value of capital and income from inflation by providing a total return (the combination of capital growth and income), net of the Ongoing Charge Figure, that is consistent with or higher than UK inflation (as measured by the UK Consumer Prices Index), over any three-year period.

There is no guarantee that the fund will achieve its objective over this, or any other, period. The income distributions and the value of your investment may rise and fall, and investors may not recoup the original amount they invested.

The fund has not met its three-year objective over the period ending 31 March 2020, and is therefore rated as “must improve”.

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-0.9%	0.2%	0.8%
Sterling R	-0.7%	0.4%	1.0%
Sterling I	-0.4%	0.7%	1.3%
Sterling PP	-0.3%	0.8%	1.3%
UK Consumer Prices Index	1.7%	2.0%	1.8%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Sterling PP	● Must improve

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** “While the fund has delivered a positive return over the past three years, it has lagged the increase in UK inflation, as measured by the consumer price index. Our focus on bonds due to be repaid in a relatively short period of time meant we missed out on some potential gains in a rising bond market. Against a backdrop of unprecedented market turbulence in early 2020, the fund demonstrated resilience, however. Our focus on the bonds issued by more resilient, high quality companies meant we were able to mitigate the worst of market sell-off.”

**Outlook:** “Since we mostly invest in inflation-linked bonds issued by highly rated, cash-generative, global businesses, we believe the fund is well placed to navigate this uncertain environment and ride out any prolonged economic downturn. Looking ahead, we think the huge increases in government borrowing could result in higher UK inflation over the coming years. Given our emphasis on inflation-linked bonds issued by high quality companies, we believe the fund will be well equipped to withstand any such scenario.”

Ben Lord, M&G UK Inflation Linked Corporate Bond Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling R	● Good
Sterling I	● Good
Sterling PP	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund’s “primary” share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund’s annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund’s annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund’s share classes.

Where can we improve?

The issue	Our action
No issues	No actions required



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	○ Not applicable



## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Sterling PP	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>

# M&G UK Select Fund

## Conclusions from the Value Assessment

We conclude that the fund has delivered value to its investors over the review period. While its performance target has not been achieved, value has been achieved across other criteria. A thorough review of the fund's performance and strategy has been conducted, and we have been reassured that it is appropriately structured to meet its objective going forward. Overall, we find that satisfactory value has been delivered overall to all share classes.

**Board of M&G Securities Limited**

## Summary by share class

Share classes	Annual charge	Overall	Quality of service	Performance	AFM costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Sterling A	1.20%	●	●	●	●	●	●	●	●
Sterling X	1.20%	●	●	●	●	●	●	●	●
Sterling R	0.95%	●	●	●	●	●	●	●	●
Sterling I	0.70%	●	●	●	●	●	●	●	●
Euro A	1.65%	●	●	●	●	●	●	●	●
Euro C	0.70%	●	●	●	●	●	●	●	●

### Key

● Unsatisfactory   ● Must improve   ● Satisfactory   ● Good   ● Outstanding   ● Not applicable

Please note that our assessment of the value delivered for any given share class is the same for both accumulation and income shares. All share classes are denominated in Sterling unless another currency is stated.

This fund is authorised in the UK and regulated by the Financial Conduct Authority. M&G Securities Limited is authorised in the UK and regulated by the Financial Conduct Authority.

For more information about this fund, please visit [www.mandg.co.uk/literature](http://www.mandg.co.uk/literature) or call M&G Customer Relations on 0800 390 390.





## 1. Quality of services

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Satisfactory
Sterling I	● Good
Euro A	● Good
Euro C	● Good

We have evaluated the quality of each of the following types of services, which apply to all share classes:

- **Investment services** – We believe M&G’s robust investment processes and oversight are a key strength, and reflect a culture that has contributed to a relative lack of fund-related issues.
- **Fund and asset servicing** – We have confidence in the quality of services provided both internally, such as book management, tax, legal and shareholder services, and externally, including custody and clearing services.
- **Authorised Corporate Director** – We believe the Board of MGSL is exercising its responsibilities as the ACD to ensure funds are run in the best interests of investors.
- **Brand** – The M&G brand is valued by investors and reflects the company’s longevity and stability, its culture of integrity, and commitment to acting in customers’ best interests.

We have also analysed the different services delivered to investor groups that hold different share classes.

- **Client services** – Our analysis found that most investors receive a good quality of client service. Although some aspects of the service delivered to those who invest directly with M&G have been inconsistent, important steps have been taken over the past year and we are satisfied that these issues are resolved.

Where can we improve?

The issue	Our action
No issues	No actions required

## 2. Investment performance

The fund aims to provide a higher total return (the combination of capital growth and income), net of the Ongoing Charge Figure, than that of the FTSE All Share Index over any five-year period.

(Please note that the performance of Euro share classes should be compared with the Euro benchmark below.)

Some of the fund's share classes have not met their objective over the five-year period ending 31 March 2020, and are therefore rated as "must improve".

Annualised performance to 31 March 2020

Share classes	One-year	Three-year	Five-year
Sterling A	-14.3%	-3.1%	-0.3%
Sterling X	-14.3%	-3.1%	-0.3%
Sterling R	-14.0%	-2.7%	0.2%
Sterling I	-13.8%	-2.5%	0.5%
Euro A	-17.3%	-4.3%	-4.2%
Euro C	-16.6%	-3.5%	-3.5%
FTSE All-Share Index	-18.5%	-4.2%	0.6%
FTSE All-Share Index [EUR]	-20.6%	-5.3%	-3.4%

Source: Morningstar Inc. and M&G, as at 31 March 2020. Returns are net of fees and are calculated on a price to price basis with income reinvested. Benchmarks have been backdated in line with the fund particulars.

Share classes	Rating
Sterling A	● Must improve
Sterling X	● Must improve
Sterling R	● Must improve
Sterling I	● Must improve
Euro A	● Must improve
Euro C	● Satisfactory

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and you may not get back the original amount you invested. The level of any income earned by the fund will fluctuate. Past performance is not a guide to future performance.

Remember, different share classes carry different charges, meaning investment returns will be higher on share classes with lower annual charges. The share class you hold will depend on how you invest with M&G. (Our share classes are explained in more detail in the Appendix.)

### Fund manager comments

**Performance:** "We look to invest in quality companies that can deliver high and durable returns, based on exposure to sustainable growth tailwinds. We believe focusing on the long-term growth prospects of well-managed companies has aided fund performance in a variety of market conditions. While we could not avoid the market downturn of early 2020, our concentrated portfolio of stocks held up better than the UK stockmarket overall, building on strong relative performance during 2019."

**Outlook:** "In managing the fund, we try to build a concentrated portfolio of compelling investments without taking macroeconomic views. We like our companies to do the talking, buying good quality businesses that can generate shareholder value over the long term. In our view, the indiscriminate collapse in share prices in early 2020 will continue to uncover compelling investment propositions. We see this downturn as a once-in-a-decade opportunity to add positions that can drive long-term performance, irrespective of the macroeconomic backdrop."

Rory Alexander, M&G UK Select Fund

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.

#### Where can we improve?

The issue	Our action
At least one of the fund's share classes has failed to meet its objective.	Based on a thorough review of the fund's performance and strategy, we, the Board, have been reassured that it is appropriately structured to meet its objective going forward. We will be closely scrutinising investment performance over the coming months, and will report back to investors in our next Value Assessment.

### 3. Costs of the Authorised Fund Manager

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory

We have assessed the costs of the Authorised Fund Manager (AFM), which is responsible for the overall management of M&G funds, for the full range of UK-based funds, rather than fund by fund. By looking at the AFM's overall costs in relation to the overall charges paid by investors – our overall profit margin – we believe we can more meaningfully evaluate whether our charges are justified in relation to the costs.

Based on the principle that charges should reflect the costs of providing services, according to this criterion we believe satisfactory value to have been delivered overall to all investors across our fund range during the review period.

We are looking to build on this approach in future Value Assessments by looking at how costs compare from one year to the next.



## 4. Economies of scale



Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. For M&G, these can come in two forms. Firstly, they can be achieved by outsourcing certain services to specialist third parties that provide services to the fund management industry, then reflected in what M&G pays for these services. We believe these economies of scale for outsourced services are reflected in the charges paid by investors in all M&G funds.

Secondly, we can achieve cost savings when a fund's assets under management grow above a certain size, making them more profitable to run. M&G is proud to be among the few asset managers that share these savings with investors by applying a tiered discount based on fund size. Since August 2019, we apply a discount to a fund's annual charge when its assets under management exceed £1 billion.

Although investors in this fund received no discount over the review period, because assets under management remained below this threshold of £1 billion, we believe that good value has been delivered to all investors across our fund range because where economies of scale are being achieved, they are shared with investors.

We will continue to review economies of scale in future Value Assessments, to ensure that further cost savings are passed on to investors where they arise.

Share classes	Rating
Sterling A	● Good
Sterling X	● Good
Sterling R	● Good
Sterling I	● Good
Euro A	● Good
Euro C	● Good



## 5. Comparable market rates

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Good
Euro A	● Must improve
Euro C	● Good

Each share class offers different levels of service and carries a different charge. For each, we have evaluated our charges to those of comparable services in the market. We first analysed charges for the fund's "primary" share class against the charges of competitor funds – those in the same sector or relevant peer group. Then, for share classes that receive an additional service from M&G, such as myM&G or our phone and postal-based service, we have assessed the charges that are effectively paid for them – in the form of higher annual charges – against those of competitors offering comparable services.

Since the introduction of the annual charge in August 2019, where a share class is rated as being:

- **Outstanding** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are the lowest among competitor funds.
- **Good** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are lower than most competitor funds.
- **Satisfactory** – The fund's annual charges and the effective charge for additional services, where relevant to a share class, are in line with the average of competitor funds overall.
- **Must improve** – The fund's annual charges and/or the effective charge for additional services, where relevant to a share class, are higher than most competitor funds. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are too few competitor funds deemed comparable to the fund.

Remember, different share classes carry their own level of charges and services, which may result in differences in ratings across the fund's share classes.

Where can we improve?

The issue	Our action
The fund has non-Sterling share classes that are among the most expensive quartile in its peer group.	The annual charge on these non-Sterling share classes includes rebates that are paid to their distributor outside of the UK. They are therefore not directly comparable to the peer group. Since this pricing structure is commonplace in European markets where these share classes are distributed, we conclude that no action is required.



## 6. Comparable M&G services

M&G provides investment management services to a large range of customers who pay different charges, but receive different services in return. Having compared the services delivered to investors in the fund with other customers whose investments are managed in a very similar way by M&G, where a share class is rated as being:

- **Satisfactory** – We have not identified comparable funds or mandates that are materially cheaper than the fund.
- **Must improve** – We have identified comparable funds or mandates that are materially cheaper than the fund. This has prompted further investigation, as will be outlined below.
- **N/A** – We are unable to provide a rating as there are no funds or mandates deemed comparable to the fund.

We take the view that 'satisfactory' is the most desirable outcome for this criterion, so it is not possible to achieve a 'good' or 'outstanding' rating.

Where can we improve?

The issue	Our action
No issues	No actions required

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory

## 7. Share classes

Share classes	Rating
Sterling A	● Satisfactory
Sterling X	● Satisfactory
Sterling R	● Satisfactory
Sterling I	● Satisfactory
Euro A	● Satisfactory
Euro C	● Satisfactory

Most M&G funds have different share classes, each carrying its own level of charges that should reflect the service offered to investors and the size of their holding. Where investors are paying higher charges to invest in the same fund, the level of charges should appropriately reflect the services delivered and the costs of providing them. No investor should be paying more than others to access the same product with substantially similar rights and services.

Having analysed who invests in the different share classes of this fund, where a share class is rated as being:

- **Satisfactory** – We are satisfied that investors are in the most appropriate share class and are paying a charge that accurately reflects their rights and services.
- **Must improve** – We have identified cases where investors are either not in the most appropriate share class or are not paying a charge that accurately reflects their rights and services. This has prompted further investigation, as will be outlined below.

We take the view that ‘satisfactory’ is the most desirable outcome for this criterion, so it is not possible to achieve a ‘good’ or ‘outstanding’ rating.

Where can we improve?

The issue	Our action
There are inconsistencies between what a small number of corporate (non-individual) investors are charged and the services they receive.	M&G will be contacting each corporate investor that would qualify for a lower charge, where it has not already done so, by the end of the year.
There are inconsistencies between what some advised and non-advised investors are charged, given the services they receive from M&G and any investment advice services they receive from others.	<ol style="list-style-type: none"> <li>1. M&amp;G has clarified the status of these investors and reviewed the services they receive.</li> <li>2. M&amp;G is conducting a major review of the annual charges for its range of UK-based funds. No investor will see any increase to their annual charges, nor any reduction in their quality of service, as a result of any changes. We look forward to reporting on this in our next Value Assessment, if not sooner.</li> </ol>



# Appendix





# Methodology of the Value Assessment

We have outlined our approach to evaluating each of the seven criteria that comprise our Value Assessment below.

## 1. Quality of services

To determine the overall quality of service delivered to investors in each fund and share class, we evaluate a diverse range of services that shape investor outcomes. These fall into five groups, as below. All of these bar client services are deemed to apply to all share classes and funds.

- **Investment services** – These are the services required for the investment of, and the oversight of, each fund’s assets, including investment strategy and decision making, trading and stewardship of the assets we manage.
- **Fund and asset servicing** – These are those services required for the good running of the fund – for instance, determining a value and price of each share class in a fund – and ensuring the fund’s assets are kept secure. Some of these services are provided internally, such as book management, tax, legal and shareholder services, while others are delivered externally by third party providers, including custody and clearing services.
- **Authorised Corporate Director** – The responsibility of the ACD is to ensure funds are run in the best interests of their investors.
- **Brand** – Despite being a non-tangible service, the M&G brand is valued by investors, making it important to invest in and maintain.
- **Client services** – These are those services that are directly provided to investors, such as the online, phone and postal services used by M&G’s direct customers and the support we provide to professional investors. We also consider the quality of information and material produced to different investor groups. We base our analysis of client services delivered by investor group, rather than specifically by share class. Our conclusions are then mapped against each share class of a fund, based on which groups of investors hold that share class.

Wherever possible, we rate each service by reference to independent service assessments, comparing the service provided against key metrics and using independent information like external reports and studies. Where no independent external comparisons exist, we use internal assessment. If we conclude that value delivered has been less than “satisfactory” for any one of the five service groups that applies to a particular share class, the overall rating for that share class will be “must improve”.

## 2. Investment performance

Since the investment returns delivered by a fund vary by share class, because each carries its own level of charges, we base our analysis for this criterion by share class. To assess the investment performance of each fund and share class, we took each of the following into account:

- We compare the investment outcomes of each share class, net of charges where relevant, against the performance objectives stated in the fund’s prospectus and against the fund’s performance comparator.
- We assess whether the fund and share class is appropriately structured to meet its investment objectives in future.
- We assess the extent to which our charges affect the returns that investors have achieved, or might achieve.
- We further assess the investment outcomes of each share class, net of charges where relevant, at regular intervals over the last 10 years (or since the fund’s inception, if more recent).

Broadly speaking, “satisfactory” or better means a fund’s share class has met its objective or outperformed its benchmark. “Satisfactory” is also the rating given where a share class has underperformed its benchmark but has a longer-term track record of outperformance.

Where the share class has underperformed its benchmark, but is appropriately structured to meet its objectives in the future, performance will be rated as “must improve”. Persistently failing to meet objectives over the longer term will result in a share class being rated “unsatisfactory” if a fund is not appropriately structured to meet its investment objectives in the future.

### 3. Costs of the Authorised Fund Manager

We assess the costs of the Authorised Fund Manager (AFM), that is, M&G Investment Ltd, which is responsible for the overall management of M&G funds, and therefore for the full range of UK-based funds. While some of the AFM’s costs are specific to certain investor groups, like providing telephone services to direct clients, the majority are base costs that enable M&G to provide fund management services to all investors, for example, fund accounting or custody. We therefore believe looking at the AFM’s overall costs in relation to the overall charges paid by investors – our overall profit margin – allows us to more meaningfully evaluate whether our charges are justified in relation to the costs. Our conclusions are therefore common across all funds and share classes.

### 4. Economies of scale

Economies of scale can be achieved where there are cost savings to be realised from large-scale operations. Like any industry, there are costs involved in fund management that become a smaller portion of a larger asset pool. This means that the extra cost of managing the next £1 million should normally be less than the last. For M&G, economies of scale can come in two forms.

Firstly, they can be achieved by outsourcing certain services to specialist providers whose scale and expertise should afford cost savings. As part of our assessment, we therefore examine the costs of these third party services, such as the custody of fund assets, to determine whether economies of scale that should be achieved by our partners are reflected in what M&G pays for these services.

Secondly, M&G can achieve cost savings when a fund’s assets under management grow above a certain size. This is because certain costs of running a fund are fixed, meaning funds are generally more profitable to run when they grow. Using internal data, we analyse the relationship between fund costs and size over time to establish if there is a connection between scale and profitability, and explore any exceptions.

Where fund-specific economies of scale exist, we then assess the extent to which we have passed on these cost savings. Since 1 August 2019, we have shared savings with investors by applying discounts to the annual charges of funds whose assets under management are above a certain size where we consider there are material savings to pass on. The discount applies as follows. For every £1 billion of a fund’s net asset value, a discount of 0.02% is applied to that fund’s annual charge (equating to £0.20 a year for every £1,000 invested) up to a maximum of 0.12%. This also works in the opposite direction should a fund’s net asset value fall below the £1 billion threshold.

Since economies of scale derived from outsourcing are passed on to all of our investors, and there is a common approach to passing on fund-specific economies of scale to investors, we make an overall conclusion that applies to all funds and share classes.

### 5. Comparable market rates

For each share class of each fund, we have evaluated our charges to those of similar fund offerings in the market. We first compare the charges for each of our funds to those of other funds in the same sector, as classified by Morningstar or the Investment Association (IA). Since we believe passively managed funds, being those whose objective is to track an index, are not comparable to actively managed funds, we only compared the charges of our actively managed funds with those of other actively managed funds, and vice versa. Where the sector is deemed insufficient, a bespoke peer group has been used that we believe best reflects the characteristics of the fund in question.

Importantly, we make comparisons using the highest charging share class – free of any rebates or intermediary commission – that is freely available through third party distributors in the UK retail market. If a fund’s annual charge is lower than most comparable funds, we will rate its primary share class as “good” or better. Conversely, if a fund is among most expensive comparable funds, we rate that fund as no better than “must improve”.

For those investor groups (and share classes) who use phone and postal services or web-based services, we compare our charges to other fund managers, or platform providers, that offer similar services. Again, if the effective cost we charge for a given service is cheaper than most of our competitors, we will award a rating of “good” or better. Conversely, if a service is more expensive, we rate it as no better than “must improve”. We then combine these ratings to arrive at an overall assessment for each share class of a fund.

## 6. Comparable M&G services

Our first step in evaluating comparable services is to define the investment characteristics of our funds. These include the types of asset each fund invests in (for instance, equities or bonds), or geographic area each fund invests in (for instance, emerging markets or the UK). We then identify every fund that M&G or its associates manage, or accounts that we manage for other companies, and we then compare the charges.

Where any similar fund or account that we manage for others has annual charges that are lower, we investigate the reasons why this apparent discrepancy exists.

Where we determine that any such difference in price is justified, the share class rating is “satisfactory”. If we determine that the difference cannot be explained, the rating will be no better than “must improve”. We might rate a share class as “unsatisfactory” if we conclude that there is an unacceptable divergence in charges between similar types of investors which must be rectified. If no funds or mandates are deemed to be comparable to the share class of a fund, we cannot give a rating.

## 7. Share classes

For this final criterion, we undertake an in-depth analysis of which investors hold the respective share classes of each fund. No investor should be paying more than others to access the same product with substantially similar rights and services.

Where investors are in the most appropriate share class with the most appropriate charge, we rate that share class as “good”. We consider the share class to be “satisfactory” if there is only a very small number of customers paying charges that deviate meaningfully. If the number of customers paying such charges is above a given threshold, we will rate that share class as no better than “must improve”.

We might rate a share class as “unsatisfactory” if we conclude that there is an unacceptable divergence in charges between similar types of investors which must be rectified.



# A summary of M&G fund share classes

Most M&G funds have different share classes, each offering certain services and carrying its own level of charges. The share class that you hold will typically depend on how you invest in any given fund and the value of your investment.

For your information, and to provide further context for our Value Assessment, we have provided a summary for each of the share classes – including who generally invests in them and the services they receive – below.

Please note all share classes are **denominated in Sterling** unless another currency is stated.

**“A” and “X” share classes** have the same characteristics and charges\*, and are predominantly held by:

- Individuals who invest directly with M&G and administer their own investments by phone and post.
- Individuals who invest through a financial adviser, to whom a commission will have been paid.

\* Prior to December 2016, the “X” share class incurred an exit fee on withdrawal.

The **“R” share class** is predominantly held by:

- Individuals who invest through a financial adviser, to whom no commission will be paid, and who typically paid a fee for financial advice.
- Individuals who invest directly through M&G’s online-based service, myM&G, and whose investments on myM&G have an overall value of less than £250,000.

Charges are generally 0.25% lower than “A” shares for any given fund.

The **“I” share class** is predominantly held by:

- Investors who invest through a platform or a financial adviser, who will normally charge fees for their services that are in addition to the fund’s charges.
- Individuals who invest directly through M&G’s online-based service, myM&G, and whose investments on myM&G have an overall value of at least £250,000.
- Individuals who invest directly with M&G and administer their own investments by phone and post, and whose investment in a given fund is £500,000 or more.

Charges are generally 0.50% lower than “A” shares for any given fund.

The **“PP” share class** is predominantly held by:

- Professional investors who invest £500,000 or more through the Prudential Wealth platform.
- UK wealth managers who can invest £5 million or more in a fund.

Charges are generally lower than “I” shares for any given fund.

## Other share classes

**The “D” share class** is only available in the M&G Property Portfolio. Charges are lower than “I” shares in the fund, but redemptions are subject to a notice period.

**The “E” share class** is held by institutional investors who made investments in a fund at its launch. It carries lower charges than the “I” share class.

**The “J” share class** is held by large institutional investors who have holdings of £200 million or more in a fund. It carries lower charges than the “I” share class.

**The “L” share class** is held by institutional investors who made investments in a fund at its launch. It carries lower charges than the “I” share class.

**The “S” share class** is only available in the M&G Episode Macro Fund. It is similar to the “A” share class held in other funds.

**The “T” share class** is only available in the M&G Episode Macro Fund. It is similar to the “I” share class held in other funds.

**The “Z” share class** is held by large institutional investors who have holdings of £20 million or more in a fund. It carries lower charges than the “I” share class.

**Non-sterling share classes** are those denominated in either **Euros**, Swiss francs (**CHF**) or US dollars (**USD**).

- **“Euro A” / “CHF A” / “USD A”** shares are distributed to investors through European distributors. Rebates are paid by M&G to the distributor. Charges are the same or higher than the Sterling “A” shares for any given fund.
- **“Euro C” / “CHF C” / “USD C”** shares are distributed to investors through European distributors. No rebates are paid by M&G to the distributor. Charges are in line with Sterling “I” shares for any given fund.
- **“Euro Z”** shares held only by large institutional investors who have entered into a bespoke agreement with M&G.

**Hedged share classes** are indicated by the **“-H”** suffix. This means the effects of movements between a fund’s base currency and the currency of the hedged share class are mitigated, reducing investors’ exposure to currency fluctuations.

# Glossary of terms

## Accumulation shares

A type of share where distributions are automatically reinvested and reflected in the value of the shares.

## Active management

An approach to investing whereby capital is allocated according to the judgement of the investor or fund manager(s). The active investor aims to beat the returns from the stockmarket or specified index/sector, rather than to match them.

## 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.

## Bottom-up selection

Selecting stocks based on the attractiveness of a company.

## Capital

Refers to the financial assets, or resources, that a company has to fund its business operations.

## Capital at risk

The risk an investor faces that he or she may lose all or part of the assets invested.

## 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).

## 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.

## 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.

## 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 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.

## Default

When a borrower does not maintain interest payments or repay the amount borrowed 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.

## Distribution

Distributions represent a share in the net 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.

## 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 the company and are paid out to a 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.

**Emerging 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.

**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.

**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.

**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 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.

**Income shares**

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

**Index**

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

**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.

**Interest rate risk**

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

**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.

**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.

**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.

**Monetary policy**

A central bank's regulation of money in circulation and interest rates.

**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.

**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 Important Information for Investors document and/or the Key Investor Information Documents.

**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.

**Valuation**

The worth of an asset or company based on its current price.

**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.

**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.

