December 2011

Monthly fund reviews

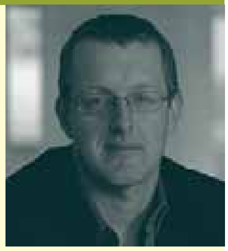
Content

M&G American Fund

Monthly Fund Review

31 December 2011

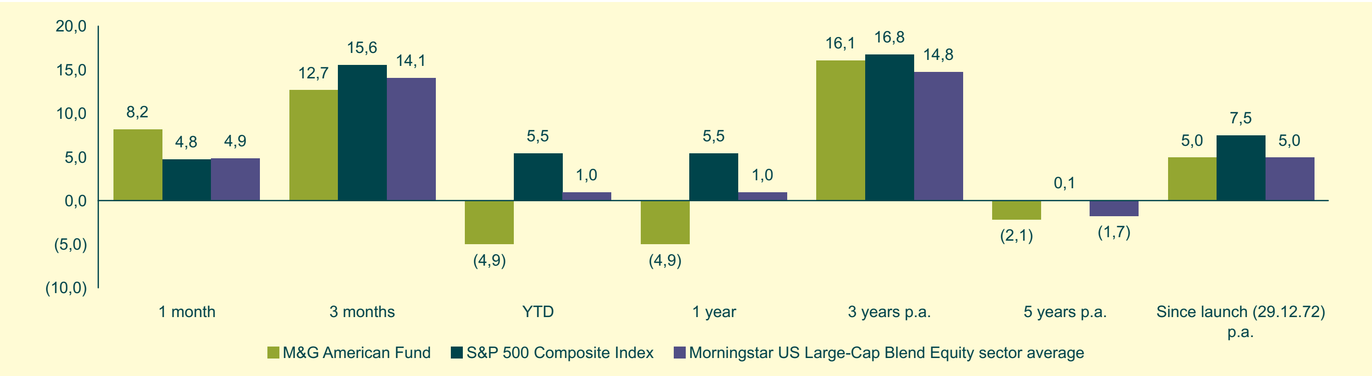
Fund manager - Aled Smith



Key summary points

- US equities rose in December as a result of improving macroeconomic data.
- The fund's stock selection was negative, particularly in the materials sector, although good stockpicking within healthcare added value.
- Fund manager Aled Smith sold a number of stocks to consolidate the portfolio, including education provider Devry, bearings maker Timken and hotel group Orient Express Hotels.

Fund performance (total return, in euro terms, %)



Performance review

US equities ended 2011 with a modest rally as encouraging economic data boosted investor risk appetite. The unemployment rate fell from 9.0% to 8.6%, the ISM manufacturing index improved and consumer confidence picked up. Companies with more quality characteristics continued to lead their lower quality counterparts, illustrating the fact that, while improving, investor sentiment remained fragile. At the sector level, more defensive industries such as healthcare and telecommunications outperformed, while commodity-related areas including energy and materials lagged on global growth concerns.

The fund's performance relative to the benchmark was flattered slightly by the reversal of the timing issues from the previous month. Since the fund is priced at midday, it missed out on much of the sharp recovery that occurred late on 30 November. Instead, the rally was included in December's figures. Over the month, stock selection and asset allocation both detracted from the fund's underlying performance. Poor stock selection among the fund's materials holdings, including stock-specific issues at gold producer Newmont Mining, outweighed the positive contribution from some of the fund's healthcare, consumer discretionary and consumer staples positions.

Positive contributors

As concerns persisted about the strength of the economic recovery, investors favoured the relatively defensive qualities of the healthcare sector. Two pharmaceutical companies, **Eli Lilly** and **Pfizer**, which are in robust financial positions, made significant contributions to fund performance in December. Pfizer announced that it was increasing its next dividend payout by 10%, as well as authorising a new share repurchase program for up to $10 billion. **CVS Caremark**, which provides pharmacy healthcare, also performed well in December, as it announced a strong outlook for growth in 2012.

US bank **Wells Fargo** and **World Acceptance**, which offers consumer loans to individuals with a poor credit rating, also added value. Both of these companies are seen as relatively higher quality institutions within the financials space and were rewarded as investors began to revisit the sector, albeit somewhat tentatively.

Negative contributors

The gold price eased in December which affected gold producers **Newmont Mining** and **Agnico-Eagle Mines**. Newmont's share price was also hurt as protests halted the development of a new mine in Peru. However, Aled retains conviction in the long-term prospects for these companies, and in their ability to generate returns, irrespective of fluctuations in the gold price. Moreover, he believes that the share price reaction to the specific issues at Newmont has been overblown.

The stake in software company **Oracle** proved costly as well. Oracle's shares were marked down by investors after it reported results that were below expectations and provided a cautious outlook based on the weakening global economy. The fund manager recognises that the operating

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environment is challenging in the short term but he has conviction in Oracle's long-term prospects. The company is extremely cash generative and is attractively valued with a double digit free-cashflow yield.

Having made positive contributions in the previous month, energy companies **Forest Oil** and **Anadarko Petroleum** held back performance in December. Investors' concerns about the outlook for the global economy resulted in commodities including oil falling in value during the month, which had an adverse effect on these cyclical companies. Aled is confident that they can generate attractive long-term returns for shareholders.

Key changes

Aled continued to consolidate the portfolio in December and a number of holdings were sold. Education provider **Devry** has struggled of late as a result of lower student enrolment trends. Long-term holdings **Timken**, which makes industrial bearings, and methanol producer **Methanex** were sold on valuation grounds. Aled currently prefers higher-returning industrial stocks such as **General Electric**, which appear to be attractively priced. With respect to Methanex, Aled also believes that the fund's capital is better invested in other cyclical holdings that are not affected by on-going instability in Egypt where Methanex has significant operations.

The position in hotel and travel company **Orient Express Hotels** was closed as Aled has greater conviction in **MGM Hotels and Resorts**, which operates in the same industry. He also sold the stake in life sciences firm **Bio-Rad Laboratories**.

During the month, online holiday planner **Trip Advisor** was spun off from **Expedia**. Aled opted to sell the shares in Expedia and retain those in TripAdvisor as he believed it to be the more attractively valued of the two businesses.

Key information

Fund manager tenure from	31 December 2004
Fund size (millions)	€1.475,12
Comparative index	S&P 500 Composite Index
No. of holdings	72
Portfolio turnover over 12 months	152,4 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB0030926959
Bloomberg	MGAMEAA LN
SEDOL code	3092695

Fund ratings

Overall Morningstar Rating	★★★★
S&P Fund Management Rating	AA

Industry breakdown (%)

	Fund	Index	Relative weight
Information technology	21,9	19,0	2,9
Healthcare	13,1	11,9	1,2
Consumer discretionary	11,7	10,7	1,0
Industrials	11,5	10,7	0,8
Materials	4,2	3,5	0,7
Utilities	3,4	3,9	-0,5
Energy	11,7	12,3	-0,6
Consumer staples	10,9	11,5	-0,6
Financials	10,7	13,4	-2,7
Telecommunications	0,0	3,2	-3,2
Cash	0,8	0,0	0,8

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (>$50bn)	39,9	50,3	-10,4
Large cap ($10-$50bn)	32,7	37,5	-4,8
Mid cap ($2-$10bn)	17,7	12,2	5,5
Small cap (<$2bn)	8,9	0,1	8,8
Cash	0,8	0,0	0,8

Top holdings (%)

	Fund	Index	Relative weight
Apple	3,8	3,3	0,5
Pfizer	3,7	1,5	2,2
Coca-Cola	3,4	1,4	2,0
Eli Lilly	3,1	0,4	2,7
Google	2,9	1,4	1,5
Intel	2,9	1,1	1,8
Qualcomm	2,9	0,8	2,1
Cisco Systems	2,9	0,9	2,0
Procter & Gamble	2,7	1,6	1,1
Wells Fargo	2,6	1,3	1,3

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

M&G Asian Fund

Monthly Fund Review

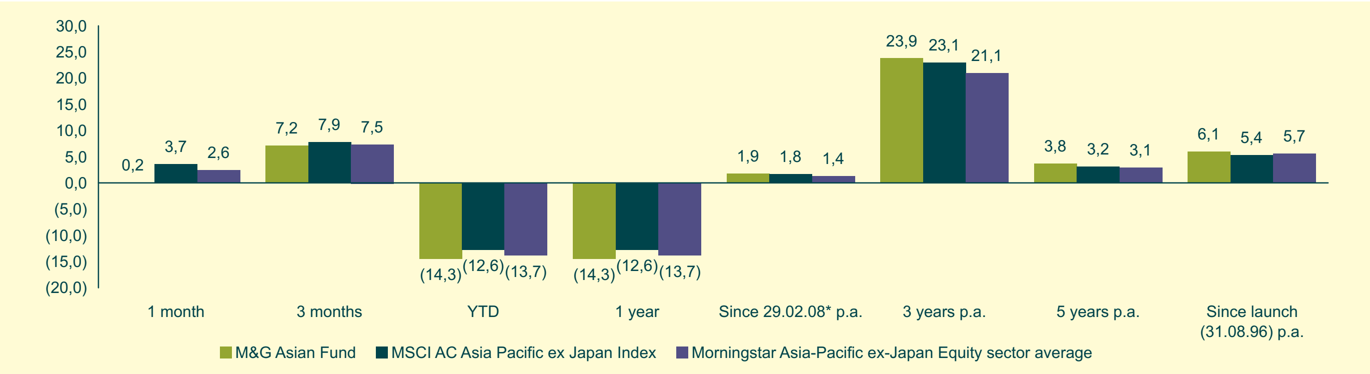
31 December 2011

Fund managers - Matthew Vaight & Michael Godfrey

Key summary points

- Asian equities generally performed well in December, although the Indian stockmarket struggled with macroeconomic concerns.
- Fund performance was affected by poor stock selection, particularly among its Indian holdings.
- There were no new purchases or complete sales. However, co-fund managers Michael Godfrey and Matthew Vaight used share-price falls to add to some of their high-conviction Indian holdings, as well as increase their stake in Korean internet company **NHN**.

Fund performance (total return, in euro terms, %)



* Michael Godfrey and Matthew Vaight took over as fund managers on 29 February 2008.

Performance review

In December, Asian equities generally delivered modest gains, although they underperformed their Western counterparts as they did over the whole of 2011. During the month, some of the smaller ASEAN nations performed well, notably Malaysia and the Philippines. India was by far the worst-performing market, as macroeconomic data pointed to a sharp economic slowdown. In terms of sectors, financials and information technology were among the best performers, while commodity-related industries, including energy and materials, declined on concerns about the outlook for global growth. Poor stock selection at both country and sector level, particularly among its Indian holdings, contributed to the fund's underperformance in December. A negative price swing also had an adverse impact on performance.

Positive contributors

The leading contributor to performance over the month was **Techtronic Industries**, one of the fund's largest overweight positions. Hong-Kong based Techtronic manufactures domestic appliances and electrical tools. The company is benefiting from the strength of its brands, which include Hoover and Dirt Devil, and is taking market share. It has also been helped by falling input costs as commodity prices continue to ease.

Compal Electronics, the Taiwanese manufacturer of laptops and consumer electronics products, added value as well.

Hong Kong-listed **Shanghai Electric**, a manufacturer of power generation equipment, performed well as investors reacted positively to a strategic alliance with German engineering group Siemens.

Negative contributors

A number of the fund's Indian holdings were among the leading detractors in December. The weakening economy, persistent high inflation, and the reversal of the government's plan to open India to foreign retailers, had a negative effect on investor sentiment. In this environment, the Indian rupee continued to weaken, compounding the losses for foreign investors. Shares in utility company **CESC**, which also owns a retail business, Spencers, fell sharply following the government's decision not to allow overseas competition to enter the Indian retail market. Nonetheless, the fund managers still like the company and believe it is attractively priced. In their view, investors are overly focused on the retail venture and undervaluing its core utility business.

Australian sportswear manufacturer **Billabong** also weighed on performance. The retailer, which has significant operations in Asia, US and Europe, has struggled in the weaker consumer environment, and continues to suffer from the on-going strength of the Australian dollar. The managers maintain their conviction in Billabong for its differentiated, strong brands and believe that its surfwear and lifestyle clothing are distinctive offerings in the Asian market. The shares are also very attractively valued given the weakness in 2011.

Key changes

There were no new purchases or complete sales in December. However, the managers

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took advantage of share-price weakness to increase their position in some of their high-conviction holdings, including Indian stocks Bank of India, CESC and REI Agro. They also added to their stake in one of their newer holdings, Korean internet company **NHN**.

Key information

Fund manager tenure from	29 February 2008
Fund size (millions)	€502,42
Comparative index	MSCI AC Asia Pacific ex Japan Index
No. of holdings	56
Portfolio turnover over 12 months	7,5 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB0030939770
Bloomberg	MGSEEAA LN
SEDOL code	3093977

Fund ratings

Overall Morningstar Rating	★★★
S&P Fund Management Rating	A

Industry breakdown (%)

	Fund	Index	Relative weight
Industrials	15,2	8,5	6,7
Healthcare	5,1	1,5	3,6
Information technology	15,5	13,2	2,3
Utilities	5,4	3,2	2,2
Telecommunications	7,5	5,7	1,8
Materials	12,1	12,7	-0,6
Consumer discretionary	6,9	7,9	-1,0
Energy	5,9	7,4	-1,5
Consumer staples	2,8	6,5	-3,7
Financials	20,3	33,6	-13,3
Cash	3,3	0,0	3,3

Geographical breakdown (%)

	Fund	Index	Relative weight
Hong Kong	17,6	8,7	8,9
China	17,3	17,9	-0,6
Korea	13,2	15,3	-2,1
Australia	9,5	25,8	-16,3
Singapore	8,6	5,0	3,6
India	6,5	6,3	0,2
Taiwan	6,3	11,2	-4,9
Thailand	5,0	2,0	3,0
Others	12,6	7,8	4,8
Cash	3,3	0,0	3,3

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (>$50bn)	21,0	18,4	2,5
Large cap ($10-$50bn)	22,6	33,0	-10,4
Mid cap ($2-$10bn)	28,9	36,2	-7,3
Small cap (<$2bn)	24,2	12,3	11,9
Cash	3,3	0,0	3,3

Top holdings (%)

	Fund	Index	Relative weight
Samsung Electronics	5,6	3,2	2,4
Taiwan Semiconductor	4,1	1,9	2,2
HSBC	2,8	0,0	2,8
Hutchison Whampoa	2,7	0,6	2,1
Techtronic Industries	2,5	0,0	2,5
Jardine Matheson	2,5	0,0	2,5
Fraser & Neave	2,5	0,1	2,4
CNOOC	2,4	1,0	1,4
Prudential	2,3	0,0	2,3
Vale do Rio Doce	2,2	0,0	2,2

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

M&G Corporate Bond Fund

Monthly Fund Review

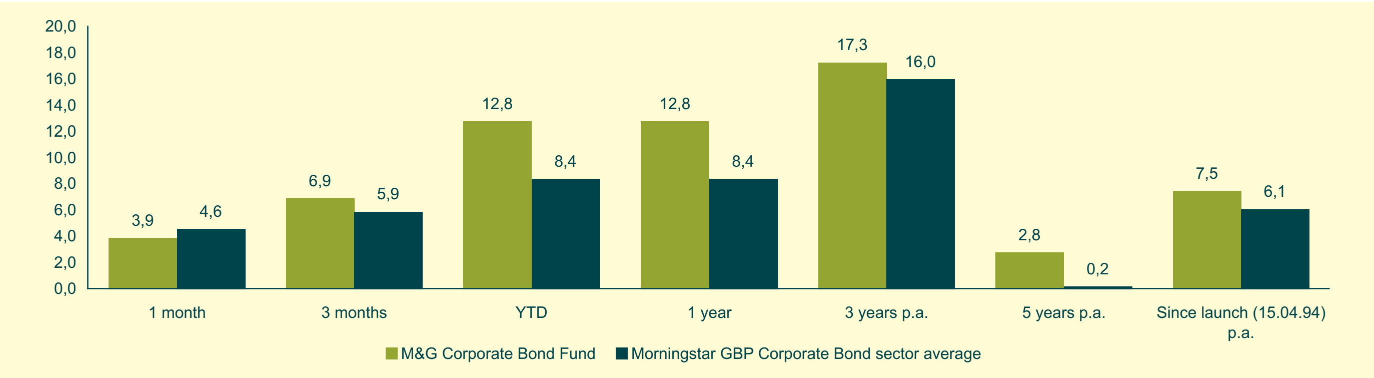
31 December 2011

Fund manager - Richard Woolnough

Key summary points

- Improved sentiment in the first part of the month led to higher demand for riskier assets, before renewed eurozone concerns led to a rally in so-called 'safe haven' government bonds.
- The fund delivered positive returns in December. It ranks top quartile for performance in 2011.
- The fund manager participated in a number of new issues from investment grade corporates.

Fund performance (total return, in euro terms, %)



Performance review

Investor risk appetite rose in the first part of December as eurozone leaders reached a new agreement on stricter regulation and riskier assets rebounded accordingly. However, safe haven government bonds rallied later in the month when fresh doubts surfaced over the deal's likely success. The fund's longstanding underweight position in financials held back performance given that financials outperformed industrials during December, while its exposure to high yield bonds was positive.

Market review

Bond markets experienced mixed fortunes in December, driven mainly by investors' hopes and fears over the eurozone debt crisis, with riskier assets beginning the month strongly but then falling away towards month end.

Eurozone leaders agreed a deal at a summit on December 8 to introduce stricter fiscal regulations, which they hoped will prevent a repeat of the current debt troubles. However, British prime minister David Cameron refused to sign up the UK to the deal, having failed to gain an exemption for the City of London from tighter financial services rules.

Risk appetite then rose further following the European Central Bank's (ECB's) decision to lend European banks almost €500 billion to lower Spanish and Italian government bond yields. As a result, eurozone government bonds experienced a huge rally, with Spanish and Italian sovereign bonds returning more than 7 % and 5 % over the month respectively.

In the latter half of the month, however, the rebound in riskier assets dampened as market participants started to question the impact of the new eurozone deal, and consequently, switched into perceived safe haven assets. As a result, prices for gilts and bunds rose.

Key changes

The slight improvement in risk appetite in December encouraged a number of investment grade corporates to issue new bonds. Fund manager Richard Woolnough participated in a number of these new issues, including a 15-year sterling-denominated bond from US biotechnology company Amgen, which was one of the fund's largest new positions of the year. Also in the new issue market, he bought a seven-year euro-denominated bond from chemicals firm Akzo Nobel, and a 10-year dollar-denominated floating rate note from US technology provider Hewlett Packard.

On the secondary market, Richard initiated positions in a number of dollar-denominated bonds, as he believes that the US economy is in a healthier state than those of the UK and Europe. These included long-dated issues from US telecommunications firms AT&T and Time Warner Cable. He also bought dollar-denominated bonds from a number of European issuers, including UK telecommunications firm BT and Swiss healthcare company Roche. As a result, the fund's gross exposure to the US dollar increased from 7.1 % to 8.8 % during the month. However, most of the fund's currency exposure is hedged back to sterling, which meant that the fund's net exposure to the dollar is a modest 1.8 %.

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Towards the end of the month, Richard began to reduce the fund's duration, as he believes that 10-year gilt yields at around 2 % look very low. The gilt yield curve is not as steep as it was previously, and so he started to sell 10-year gilt futures to shorten the fund's duration, taking it from 7.1 years to 6.9 years over the month.

Key information

Fund manager tenure from	27 February 2004
Fund size (millions)	€6.623,93
Yield to maturity*	3,61 %
No. of issuers	327
Modified duration (years)	6,9
Average credit rating (as at 30.11.11)	A-
Nominated OEIC Share Class	Euro Class A
ISIN number	GB0032137860
Bloomberg	MGCPBAA LN
SEDOL code	3213786

* Net of fund expenses.

Fund ratings

Overall Morningstar Rating	★★★★★
S&P Fund Management Rating	AAA/V3

Bond markets, total return (%)

	Dec 11
US Treasuries	0,9
UK government bonds	1,6
German government bonds	3,0
Sterling investment grade corporate bonds	2,3
Euro investment grade corporate bonds	2,4
Euro high yield corporate bonds	3,0

Source: Merrill Lynch indices

Asset breakdown (%)

	Physical	CDS short	CDS long	Net
Government bonds	11,3	0,0	0,0	9,6
Investment grade bonds	80,2	-1,0	0,1	79,3
High yield bonds	5,2	0,0	2,7	7,9
Equities	0,0	0,0	0,0	0,0
Loans	0,0	0,0	0,0	0,0
Alternatives	0,0	0,0	0,0	0,0
Other	3,2	0,0	0,0	3,2
Cash	0,1	0,0	0,0	0,0

The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.

Geographical breakdown (%)

	Fund
UK	56,6
US	13,9
France	6,9
Netherlands	6,3
Cayman Islands	3,5
Jersey	3,1
Germany	1,8
Spain	1,0
Other	6,8
Cash	0,1

Credit rating breakdown (%)

	Physical	CDS short	CDS long	Net
AAA	14,4	0,0	0,0	12,6
AA	7,8	0,0	0,1	7,9
A	30,4	-0,9	0,0	29,5
BBB	38,8	-0,1	0,0	38,7
BB	4,2	0,0	0,0	4,2
B	1,2	0,0	2,7	3,9
CCC	0,1	0,0	0,0	0,1
CC	0,0	0,0	0,0	0,0
C	0,0	0,0	0,0	0,0
D	0,0	0,0	0,0	0,0
No rating	3,2	0,0	0,0	3,2
Cash	0,1	0,0	0,0	0,0

The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.

Interest rate futures

	Fund
Long	0,0 %
Short	-2,2 %
Duration impact	-0,17 years

Top issuers (excluding gilts, %)

	Fund
EDF Energy	2,3
Wal-Mart	2,0
BAA	2,0
Imperial Tobacco	1,9
HSBC	1,6
Deutsche Telekom	1,4
Tesco	1,3
British Telecom	1,3
Thames Water	1,3
Land Securities	1,2

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Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, gross income reinvested, bid to bid basis.

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M&G Dynamic Allocation Fund

Monthly Fund Review

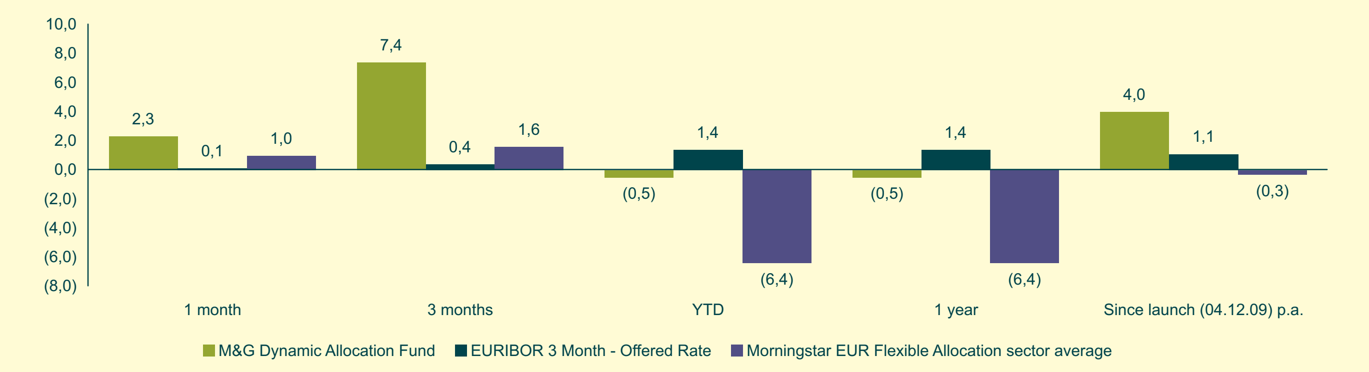
31 December 2011

Fund managers - Juan Nevado & Tony Finding

Key summary points

- Exposure to investment grade and high yield credit boosted returns as spreads tightened.
- Having significant holdings in non-euro assets added value as the single currency weakened, notably against the US dollar.
- The fund's exposure to selected risk assets was beneficial as many developed equity markets rose.

Fund performance (total return, in euro terms, %)



Performance review

December was a strong month for many risk assets, as equity markets and credit rose in value. Data from the US showed that unemployment was gradually improving and consumer confidence was rising. In Europe, the European Central Bank cut rates by 25 basis points in December and announced a three-year refinancing operation in an attempt to support the region's banks through the provision of additional liquidity. The crisis in the eurozone was a significant focus in early December as the national leaders met at the EU summit. Unfortunately the summit did not come up with a definitive solution to the debt crisis in Europe, as markets had hoped. Over the month the yields on UK and US government bonds fell, as these assets benefited from being viewed as safer than the government debt issued by peripheral eurozone countries. The US dollar gained against the euro over the month.

Performance over the month of December was positive thanks to the fund's positions in selected risk assets as well as its avoidance of direct exposure to the problems in the eurozone. Whilst the fund managers have been negative about Europe, they have been positioned in assets outside of the eurozone that they believe have been overly affected by the pessimism in Europe. The world economy does not appear to be entering recession – even though Europe might – and we believe it is appropriate to have exposure to global growth.

The fund's exposure to US equities – via S&P 500 futures – helped returns as the US equity market was one of the better performers in December, supported by signs of improvement in the economic data.

Having significant holdings in assets denominated in currencies other than the euro helped performance as the single currency finally started to weaken when it became apparent that no solution to the region's problems was about to be implemented. The fund's significant exposure to the US dollar was advantageous as the greenback strengthened against the euro in December.

Credit performed well during December. The fund managers are positive on US high yield as they believe that the yields on offer are inappropriately high given the low level of defaults. The fund's exposure to US high yield via the five-year CDX index was a notable contributor to performance. The US investment grade exposure, again via five-year CDX, also boosted returns, as credit spreads compressed.

The fund managers continued to hold minimal exposure to government bonds, as they believe that bond markets around the world are generally expensive, offering low or negative real yields. They avoided short-dated Western bonds in particular, given their extremely low yields, while maintaining some exposure to selected short-dated emerging market bonds that they believe remain attractive. The fund had exposure to long-dated Western government bonds via 4.25% gilts maturing in 2039, which added value as yields fell during the month. US treasury bonds also helped returns as they received a safe haven bid given the negative outlook for the eurozone.

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The fund's short positions in French, Belgian and Dutch sovereign credit delivered positive returns as spreads on those core eurozone bonds began to be affected by the on-going debt problems in the periphery, as well as the lack of a definitive solution to the crisis.

Exposure to Germany's DAX weighed on returns as the index fell over the month in response to the problems in Europe.

Key changes

The fund managers were comfortable with the fund's asset allocation and no significant changes were made to the portfolio during December.

Key information

Fund manager tenure from	21 January 2011
Fund size (millions)	€20,39
Comparative index	EURIBOR 3 Month - Offered Rate
Volatility (standard deviation)*	n/a
Nominated OEIC Share Class	Euro Class A
ISIN number	GB00B56H1S45
Bloomberg	MGGDAAA LN
SEDOL code	B56H1S4

* five-year annualised number calculated using weekly fund returns since fund launch on 3/12/09, and prior to this, weekly returns of the Morningstar EUR Flexible Allocation sector.

Asset breakdown (%)

	Physical only	Including derivatives
Equity	**2,9**	**52,0**
Europe	0,0	7,6
North America	0,9	12,3
UK	1,8	11,0
Japan	0,0	1,8
Asia Pacific ex Japan	0,1	17,8
Emerging markets	0,0	1,6
Fixed Interest	**18,3**	**2,8**
Europe	0,5	-5,4
North America	2,9	-6,5
UK	6,5	6,4
Japan	0,1	0,1
Asia Pacific ex Japan	5,3	5,3
Emerging markets	3,0	2,9
Property	**3,7**	**3,7**
CDS	**0,0**	**8,7**
Commodities	**0,0**	**0,0**
Cash	**75,1**	**32,8**

Currency exposure (%)

	Fund
US dollar	30,3
Euro	47,7
British pound	4,7
Korean won	3,0
Malaysian ringgit	2,6
Indonesian rupiah	2,5
Mexican peso	2,0
Chinese renminbi	1,9
Norwegian krona	1,4
Other	4,0

Top holdings (%)

	Fund
US Treasury 0 % 29-Mar-2012	15,7
UK 4.25 % 07-Sep-2039	6,1
M&G Global Real Estate Securities Fund	3,7
Malaysia 4.262 % 15-Sep-2016	2,5
US Treasury 3.75 % 15-Aug-2041	2,2
Mexico 7.25 % 15-Dec-2016	1,9
M&G Global Convertibles Fund	1,8
Indonesia 14.25 % 15-Jun-2013	1,0
South Africa 8.75 % 21-Dec-2014	1,0
Indonesia 11.25 % 15-May-2014	0,6

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Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

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M&G European Corporate Bond Fund

Monthly Fund Review

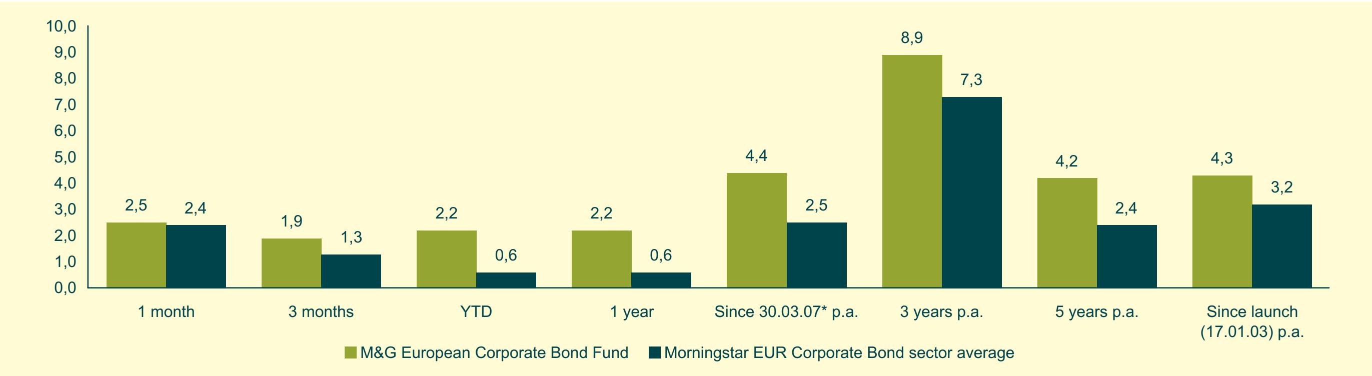
31 December 2011

Fund manager - Stefan Isaacs

Key summary points

- European corporate bonds finished the year in positive territory as market sentiment improved thanks to de-escalation in the eurozone crisis.
- The fund was ahead of its peer group, with the portfolio's high yield positions contributing to performance, in particular.
- Stefan continues to like index-linked bunds due to the attractive breakeven rates and increased the portfolio's exposure to these assets to 9 % at the end of December.

Fund performance (total return, in euro terms, %)



* Stefan Isaacs took over as fund manager on 31 March 2007.

Performance review

Prices for European corporate bonds bounced back from November's low levels to finish the year on a brighter note. High yield bonds and financial issues, in particular subordinated bank bonds, benefited from investors' increased risk appetite in the first part of the month, which was driven by signs that the eurozone debt crisis may be de-escalating.

Investors reacted positively to news that the eurozone's leaders had agreed to introduce stricter fiscal regulations for the member states, which hopefully should prevent a repeat of the current crisis. The UK, however, refused to take part in this so-called 'fiscal compact' after the European Commission rebuffed David Cameron's demands to exempt the City of London from tighter financial services rules.

Market sentiment was also boosted by the European Central Bank's (ECB's) decision to lend European banks almost €500 billion to help them refinance and meet short-term funding needs. In this environment, Spanish and Italian sovereign bonds rallied, returning more than 7 % and 5 % over the month, respectively.

Towards the end of 2011, however, the rebound in riskier assets petered out as market participants began to question the impact of the new eurozone deal, and consequently, switched to safe haven assets. As a result, prices for bunds and gilts rose.

Fund manager Stefan Isaacs's decision to maintain an exposure to sub investment grade bonds was advantageous. The fund continues to have a weighting of around 8 % to high yield bonds due to Stefan's belief that their current spreads, which are pricing in a default rate of just under 50 % over the next five years, are too pessimistic. As many high yield companies have termed out their borrowing to avoid refinancing risk in the next couple of years, Stefan believes that default rates should be low in the near term.

Conversely, the fund's underweight position in financial bonds weighed on performance. In Stefan's opinion, many European banks are undercapitalised and reliant on central bank life support while investors in bank bonds remain vulnerable to a haircut.

Returns for sterling-based investors suffered from the euro's depreciation against the pound.

Key changes

Stefan closed a holding in conventional German government bonds maturing in 2020 and reinvested the proceeds in 15-year index-linked bunds as he regards the current breakeven rates as attractive. For example, in Germany the 5-year breakeven rate, i.e. the difference between the yield of a 5-year conventional bund and the real yield of a 5-year inflation-linked bund, was 1.4 % at the end of December, based on the Harmonised Index of Consumer Prices in Europe (HICP). Given that in December, the eurozone CPI was 3.0 %, this means that bond market is pricing in disinflation over the years to come. In Stefan's opinion, negative inflation is unlikely considering the unconventional monetary policies which are being implemented both in Europe and globally.

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Within corporate bonds, Stefan increased exposure to investment grade credit issued by Volkswagen, Marks & Spencer, Heineken and German chemicals group BASF. He also established a new position in unrated bonds from John Lewis maturing in 2019.

On the back of his positive view on European credit, Stefan sold protection on the iTraxx European Index, which is a credit default swap (CDS) index composed of 125 of the most liquid investment grade issuers on the continent.

Key information

Fund manager tenure from	30 March 2007
Fund size (millions)	€1.263,30
Yield to maturity*	5,04 %
No. of issuers	213
Modified duration (years)	3,6
Average credit rating (as at 30.11.11)	A-
Nominated OEIC Share Class	Euro Class C
ISIN number	GB0032179045
Bloomberg	MGECBEC LN
SEDOL code	3217904

* Net of fund expenses.

Fund ratings

Overall Morningstar Rating	★★★★
S&P Fund Management Rating	A/V4

Bond markets, total return (%)

	December 11
US Treasuries	0,9
UK government bonds	1,6
German government bonds	3,0
Sterling investment grade corporate bonds	2,3
Euro investment grade corporate bonds	2,4
Euro high yield corporate bonds	3,0

Source: Merrill Lynch indices

Asset breakdown (%)

	Physical	CDS short	CDS long	Net
Government bonds	9,6	0,0	0,0	9,6
Investment grade bonds	75,8	-1,2	3,7	78,3
High yield bonds	7,9	0,0	0,4	8,3
Equities	0,0	0,0	0,0	0,0
Loans	0,0	0,0	0,0	0,0
Alternatives	0,0	0,0	0,0	0,0
Other	3,8	-1,2	0,0	2,6
Cash	2,9	0,0	0,0	1,2

The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.

Geographical breakdown (%)

	Fund
US	19,4
UK	19,0
Germany	13,2
Netherlands	10,3
France	7,4
Luxembourg	4,2
Jersey	3,0
Italy	2,9
Other	17,7
Cash	2,9

Credit rating breakdown (%)

	Physical	CDS short	CDS long	Net
AAA	13,2	0,0	0,0	13,2
AA	8,0	0,0	0,3	8,3
A	29,1	-0,8	0,8	29,1
BBB	34,9	-0,4	2,6	37,1
BB	6,4	0,0	0,4	6,8
B	1,4	0,0	0,0	1,4
CCC	0,1	0,0	0,0	0,1
CC	0,1	0,0	0,0	0,1
C	0,0	0,0	0,0	0,0
D	0,0	0,0	0,0	0,0
No rating	3,8	-1,2	0,0	2,6
Cash	2,9	0,0	0,0	1,2

The columns may not always add up when reading across as physical bond holdings and/or cash are sometimes used as collateral for CDS exposure.

Maturity breakdown (%)

	Fund
Cash	2,9
0 - 1 years	2,2
1 - 3 years	17,3
3 - 5 years	19,2
5 - 7 years	23,1
7 - 10 years	23,8
10 - 15 years	4,0
15+ years	7,6

Interest rate futures

	Fund
Long	0,0 %
Short	-11,2 %
Duration impact	-0,9 years

Top issuers (excluding government bonds, %)

	Fund
Imperial Tobacco	2,2
Johnson & Johnson	1,9
BAA	1,7
BAT	1,7
SES Global	1,6
Altria	1,3
AIG	1,2
Parker Hannifin	1,2
Deutsche Telekom	1,1
Bank of America	1,1

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class C shares, gross income reinvested, bid to bid basis.

M&G European High Yield Bond Fund

Monthly Fund Review

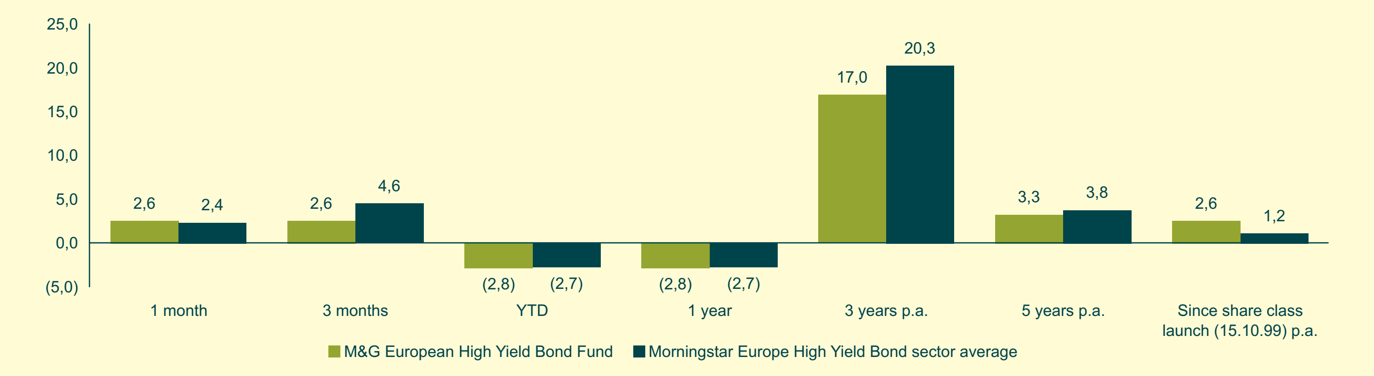
31 December 2011

Fund manager - James Tomlins

Key summary points

- James Tomlins took over management of the fund on 1 December 2011, with Stefan Isaacs as deputy fund manager.
- European high yield bonds ended the year in positive territory, bouncing back from previous month's low levels as risk appetite increased thanks to signs of de-escalation in the eurozone debt crisis.
- The fund manager favours more defensive sectors, such as cable companies and utilities, but maintains an underweight position in financial bonds due to his cautious view on banks.

Fund performance (total return, in euro terms, %)



Performance review

After a volatile 12 months, European high yield corporate bonds ended the year on a high note as riskier assets benefited from an improved market sentiment. Investors' optimism about the eurozone increased as European policy makers seemed to be taking more far-reaching steps to stem the on-going debt crisis.

First, the leaders of the European Union countries, with the exception of the UK and Hungary, agreed to introduce stricter fiscal regulations for the member states, which hopefully should prevent a repeat of the current crisis. David Cameron refused to take part in this so called 'fiscal compact' after the European Commission rebuffed his demands to exempt the City of London from tighter financial services rules.

Market sentiment was also boosted by the European Central Bank's (ECB's) decision to lend European banks almost €500 billion to help them refinance and meet short-term funding needs. In this environment, eurozone government bonds experienced a huge rally, with Spanish and Italian sovereign bonds returning more than 7% and 5% over the month, respectively. Finally, better-than-expected economic data from the US contributed to a more upbeat mood as firmer retail sales and payroll numbers raised hopes that the world's largest economy may finally be on the mend.

Towards the end of 2011, however, the rebound in riskier assets petered out as market participants began to question the impact of the new eurozone deal, and consequently, switched to safe haven assets. As a result, prices for bunds and gilts rose.

Against this changeable backdrop, the fund's performance was helped by positions in relatively strong companies that had previously sold off indiscriminately and were bought by the fund manager at depressed levels. Additionally, the fund's exposure to lower quality CCC rated high yield bonds, which gained from increased risk appetite in the first part of the month, was also beneficial. Fund manager James Tomlins believes that spreads on BB and B rated bonds, which at the end of December hovered around 860 and 1170 basis points, respectively, are still overcompensating investors. Their spreads are implying extreme default rates, which in his view are unlikely to become a reality.

Conversely, the fund's underweight position in financial bonds weighed on returns. In James's opinion, many European banks are undercapitalised and reliant on central bank life support while investors in bank bonds remain vulnerable to a haircut. Accordingly, only about 4% of the fund was invested in bank bonds, compared with 10% in the Merrill Lynch European High Yield Index.

Key changes

During December, James slightly reduced overall credit risk in the portfolio as the market rallied. He increased the fund's exposure to US high yield via cash bonds as well as the CDX North America High Yield index, a credit default swap (CDS) index. He also switched out of some euro-denominated assets in favour of non-euro issues. For example, he sold his euro-denominated

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bonds from Suncom, the second largest mobile phone operator in Switzerland, to buy back the same name in Swiss francs. James believes that Swiss franc-denominated assets would provide a hedge in the event of a market sell-off.

Meanwhile, James trimmed the stake in Italian car manufacturer Fiat due to his pessimistic outlook for the European auto industry.

All in all, James believes that high yield spreads are likely to remain at current elevated levels in the absence of a genuine solution to the eurozone crisis from the European Central Bank and Germany. He therefore favours more defensive sectors, such as media and utility companies, but continues to maintain an underweight position in bank bonds on expectation of further volatility in the financial markets.

Key information

Fund manager tenure from	1 December 2011
Fund size (millions)	€66,02
Comparative sector	Morningstar Europe High Yield Bond sector
No. of issuers	85
Nominated OEIC Share Class	Euro Class C
ISIN number	GB0031288466
Bloomberg	MGEHBCI LN
SEDOL code	3128846

Fund ratings

Overall Morningstar Rating ★★★

Bond markets, total return (%)

	Dec 11
US Treasuries	0,9
UK government bonds	1,6
German government bonds	3,0
Sterling investment grade corporate bonds	2,3
Euro investment grade corporate bonds	2,4
Euro high yield corporate bonds	3,0

Source: Merrill Lynch indices

Asset breakdown (%)

	Fund
Government bonds	3,7
Corporate bonds	85,0
Secured loans	0,0
Cash	11,3

Industry breakdown (%)

	Fund
Industrials	73,9
Financial	4,9
Utility	4,0
Sovereign	3,4
Equity	1,4
Securitised	0,4
Quasi & foreign government	0,2
Other	0,4
Cash	11,3

Credit rating breakdown (%)

	Fund
AAA	3,4
AA	0,0
A	0,6
BBB	1,5
BB	29,1
B	37,7
CCC	12,9
CC	0,2
C	0,5
D	0,0
No rating	2,7
Cash	11,3

Maturity breakdown (%)

	Fund
Cash	11,3
0 - 1 years	11,1
1 - 3 years	16,2
3 - 5 years	9,5
5 - 7 years	39,0
7 - 10 years	11,5
10 - 15 years	0,6
15+ years	0,8
Other	0,0

Interest rate futures

	Fund
Long	0,0 %
Short	0,0 %
Duration impact	+0,0 years

Top issuers (%)

	Fund
UPC	4,0
Musketeer	3,3
Ardagh Glass	2,9
Intergen	2,5
Norcell Sweden	2,4
Smurfit Kappa	2,4
Virgin Media Finance	2,4
Codere	2,3
Sunrise Communications	2,3
Catalent Pharma Solutions	2,2

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class C shares, gross income reinvested, bid to bid basis.

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M&G European Inflation Linked Corporate Bond Fund

Monthly Fund Review

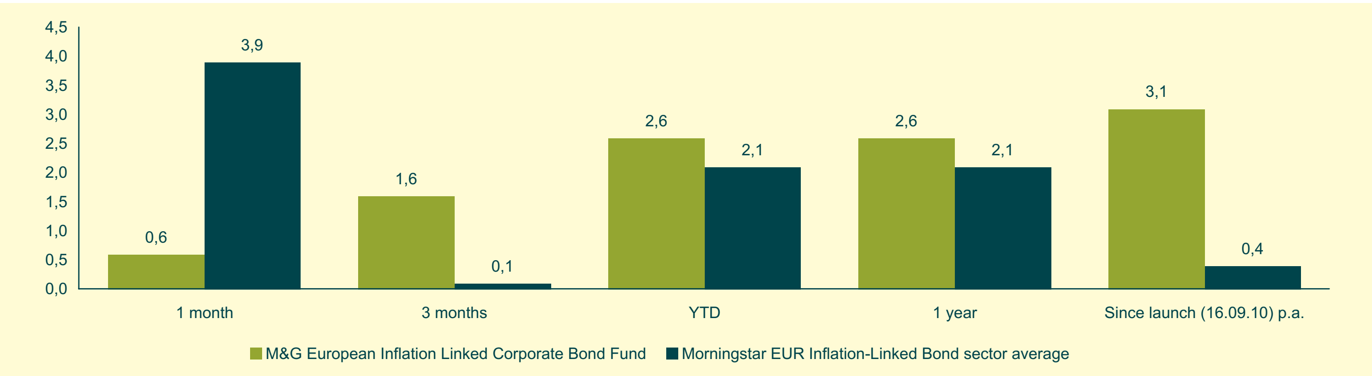
31 December 2011

Fund managers - Jim Leaviss & Ben Lord

Key summary points

- Yields on ‘safe haven’ debt fell over the month while the eurozone debt crisis rumbled on.
- Credit spreads tightened as investors sought out yield, with the outlook for corporate bonds staying favourable.

Fund performance (total return, in euro terms, %)



Performance review

The focus was very much on the eurozone debt crisis during December. At the start of the month, rating agency Standard and Poor’s placed the ratings of the long-term debt of 15 eurozone countries on credit watch. The rating agency’s negative outlook applied to core countries such as Germany, Austria and Finland. France faced a potential two-notch downgrade on its long-term debt.

National leaders met at the European Union summit early in the month to agree on a fiscal compact that would potentially produce a solution to Europe’s debt crisis by creating increased fiscal integration in the region. However, a unanimous agreement could not be found, as two non-euro countries, the UK and Hungary, refused to agree to the fiscal integration. A particular sticking point for the UK was the proposal to implement a financial transactions tax across the region. Given the UK’s use of its veto, the euro-region countries will now seek to push through the proposed fiscal integration through an inter-governmental treaty.

However, there were some positive developments: the European Central Bank cut the refinancing rate to 1 % and made a three-year refinancing facility available to the banking sector. These moves were made in an attempt to ease the lack of credit available to banking institutions. The subsequent massive take-up of this facility illustrates the difficulties that banks have been encountering in their attempts to secure funding in the capital markets.

UK government bonds and US treasuries performed well over the month as these assets were seen as ‘safe havens’ from the problems rumbling on in the eurozone, and yields on these bonds fell to very low levels. Meanwhile, peripheral eurozone debt continued to trade at relatively high yields for much of the month. Of these, Italian bonds rallied impressively in the first week of the month from 7.3 % to 5.9 % but then widened throughout the month back to 7.1 %.

Credit performed well as investors began to appraise companies on their own individual merits. Spreads tightened across both investment trade and high yield as investors sought out yield. We continue to believe that credit spreads are attractive and are more than adequately compensating investors for the risk of default.

European inflation, as measured by HICP, was 3.0 % in November, the same level as October, on higher energy costs and commodity prices. The expectation is that the inflation rate will stay above the 2 % target for several months before falling due to the lack of wage pressure in the environment of weak growth. However, we believe there could be a case for more sustained inflation in the euro area because of factors such as the proposed increase in French VAT.

Key changes

The fund managers took profits in French index-linked government bonds maturing in 2015 as well as a smaller position in Italian 2016 index-linked government bonds. They marginally increased the fund’s position in 2022 inflation-linked gilts and initiated a sizeable holding in US TIPS (Treasury Inflation Protected Securities) maturing in

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2013. The fund managers increased the holding in the OBLI 2.25 % 2013 (German inflation-linked government bonds) substantially, from 14.7 % of the fund last month to 19.7 % this month, as these bonds appeared highly attractive relative to UK government bond linkers.

The fund managers increased a short position in long-dated UK government bond futures while reducing a short futures position in German government bonds. The overall effect on the portfolio as a result of these trades was that duration fell from 1.09 years to 0.69 years.

In terms of physical corporate bonds, the fund managers purchased JP Morgan 5.375 % paper maturing in 2016 and Rabobank index-linked 2.324 % 2013. They purchased an issue in Granite Master, the AAA rated residential mortgage-backed bonds, as it appeared relatively cheap.

They closed out long credit default swap (CDS) positions in single names, taking profits in banking group Lloyds and commodities company Glencore. Additionally, they closed a position in the iTraxx CDS index, thereby reducing the fund's exposure to high yield. Due to these trades, the fund's exposure to AA rated credit increased. Its cash position remained relatively constant at 1.2 %.

Key information

Fund manager tenure from	17 September 2010
Fund size (millions)	€106,43
Yield to maturity*	3,14 %
Modified duration (years)	0,7
Average credit rating (as at 30.11.11)	A
Nominated OEIC Share Class	Euro Class A
ISIN number	GB00B3VQKJ62
Bloomberg	MGEUIAA LN
SEDOL code	B3VQKJ6

* Net of fund expenses.

Bond markets, total return (%)

	Dec 11
US Treasuries	0,9
UK government bonds	1,6
Sterling investment grade corporate bonds	3,0
German government bonds	2,3
Euro investment grade corporate bonds	2,4
Euro high yield corporate bonds	3,0

Source: Merrill Lynch indices

Asset breakdown (%)

	Fund
Index linked government bonds	15,8
Index linked corporate/PFI bonds	19,5
Synthetic index linked corporates	44,7
FRNs	7,9
Short dated corporate bonds	11,0
Cash	1,2

Geographical breakdown (%)

	Fund
UK	49,8
Germany	21,4
US	10,9
Sweden	4,3
France	3,0
Luxembourg	2,4
Multinational	2,2
Jersey	1,9
Other	3,0
Cash	1,2

Credit rating breakdown (%)

	Fund
Cash	1,2
AAA	15,8
AA	16,7
A	33,0
BBB	24,0
BB	5,3
B	2,8
CCC	0,0
CC	0,0
C	0,0
No rating	1,3

Maturity breakdown (%)

	Fund
0 - 1 years	6,6
1 - 3 years	62,7
3 - 5 years	13,8
5 - 7 years	7,5
7 - 10 years	4,2
10 - 15 years	3,1
15+ years (incl equities)	0,9
Cash	1,2

CDS positions (%)

	Fund
Index longs	4,8
Index shorts	0,0
Single name longs	42,1
Single name shorts	-2,1

Interest rate futures

	Fund
Long	0,0 %
Short	-20,6 %
Duration impact	-1,7 years

Top issuers (%)

	Fund
Severn River Crossing	3,6
Tesco	2,5
Oresunds Konsortiet	2,2
Toyota Motor	2,0
Granite Master Issuer	1,7

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, gross income reinvested, bid to bid basis.

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M&G European Strategic Value Fund

Monthly Fund Review

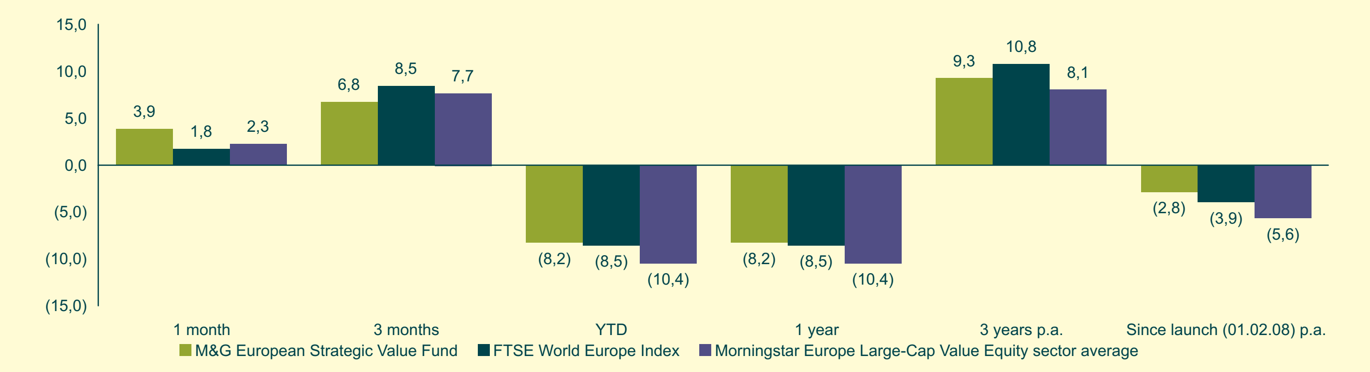
31 December 2011

Fund managers - Richard Halle & Daniel White

Key summary points

- European equity markets suffered further volatility as a summit meeting between politicians failed to bring any concrete proposals to solve the region's debt crisis.
- The fund benefited from its holdings of stocks in defensive sectors, notably utilities and healthcare.
- Richard Halle and Daniel White used share-price weakness following a profit warning to add to their recent purchase of German retailing group Metro.

Fund performance (total return, in euro terms, %)



Performance review

Once again, European equity markets were overshadowed by the efforts of the region's politicians to solve the debt crisis. Shares started the month well, encouraged by the pledge of support from a group of central banks, but sentiment soured when no firm action was agreed at a summit meeting. Peripheral markets, such as Hungary and Turkey fell sharply, with Germany also notably weak. The fund's performance relative to the benchmark was flattered slightly by the reversal of the timing issues from the previous month. Since the fund is priced at midday, it missed out on much of the sharp recovery that occurred late on 30 November. Instead, the rally was included in December's figures.

Positive contributors

As investors remain concerned about the inability of Europe's politicians to take decisive action over the region's debt crisis, they are becoming increasingly worried about the effect that a possible lack of available credit might have on growth. Against this background, several of the fund's holdings in more defensive industries, whose earnings are less reliant on an increase in economic activity, delivered significant value. These included Swiss power generator **BKW** and UK mobile phone operator **Vodafone** . Among the other top performers were two healthcare companies, Switzerland's **Novartis** and **Sanofi** from France. As well as being sought for their relatively stable profit outlook, both companies reported encouraging news regarding drugs in development.

Repsol also generated positive returns, with the shares responding well to the news that the Spanish oil and gas producer had bought back 10 % of its own shares from another Spanish firm, builder Sacyr Vallerhemosa. Repsol undertook to sell the stake in an orderly manner, removing the risk that a large placing at a big discount could weigh on the share price.

Negative contributors

The biggest detractor to performance was a stake in German power generator **E.ON** , which announced that it was to take a €3 billion impairment charge, mainly due to lower power prices in Italy and Spain. The group is also reducing capacity by more than expected. Nevertheless, E.ON confirmed its previously announced earnings forecast for 2011.

German retailer **Metro** , which joined the portfolio in November, reduced its estimate of sales for 2011, citing a weak start to Christmas trading and the increasingly noticeable effect of the government debt crisis on consumer confidence. Fund managers Richard Halle and Daniel While remain impressed by the company's market-leading position and diverse range of businesses and locations and used the lower share price to increase exposure.

Another German business, telecommunications provider **Deutsche Telekom** , whose shares had run up on the news that US rival AT&T would buy its subsidiary T-Mobile US, fell back as the regulatory authorities in the US took a dim view of the deal.

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Key changes

In keeping with Richard and Daniel's long-term investment approach, there were no complete sales or new purchases in December. Instead, they added to several existing positions. As well as the aforementioned Metro, they also increased the fund's stakes in French financial groups **Axa** and **Societé Generale** . Although the fund managers retain an underweight stance towards the banking sector, due to the major structural issues that still have to be resolved, they believe that the continued policy responses of the European Central Bank reduce the risk of liquidity shocks. The most recent action was the granting of three-year loans to banks at reduced rates.

Key information

Fund manager tenure from	1 February 2008
Fund size (millions)	€122,05
Comparative index	MSCI Europe
No. of holdings	68
Portfolio turnover over 12 months	9,1 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB00B28XT522
Bloomberg	MGEUSAE LN
SEDOL code	B28XT52

Fund ratings

Overall Morningstar Rating ★★★★

Industry breakdown (%)

	Fund	Index	Relative weight
Healthcare	13,8	9,5	4,2
Oil & gas	15,5	11,5	4,0
Consumer services	10,4	6,8	3,6
Telecommunications	9,9	6,4	3,4
Technology	2,7	2,5	0,1
Financials	16,5	18,0	-1,4
Utilities	2,8	6,7	-3,9
Consumer goods	13,7	17,9	-4,1
Basic materials	5,1	9,2	-4,2
Industrials	5,0	11,4	-6,4
Cash	4,6	0,0	4,6

Geographical breakdown (%)

	Fund	Index	Relative weight
UK	23,6	30,1	-6,5
France	19,3	15,8	3,5
Germany	19,1	11,7	7,3
Switzerland	10,8	11,4	-0,7
Sweden	5,1	4,6	0,4
Belgium	3,3	2,1	1,2
Spain	3,2	5,8	-2,6
Netherlands	3,1	3,7	-0,6
Other	7,9	14,7	-6,8
Cash	4,6	0,0	4,6

Capitalisation breakdown (%)

	Fund	Index	Relative weight
>€ 50 billion	29,5	27,4	2,2
€25 - €50 billion	19,0	24,0	-4,9
€5 - €25 billion	24,0	35,6	-11,6
€2.5 - € 5 billion	11,4	9,8	1,6
<€ 2.5 billion	11,4	3,3	8,1
Cash	4,6	0,0	4,6

Top holdings (%)

	Fund	Index	Relative weight
BP	5,0	1,7	3,3
Novartis	4,7	1,8	2,9
Vodafone	4,6	1,7	2,8
Total	3,8	1,4	2,3
Sanofi	3,7	1,2	2,6
Royal Dutch Shell	3,5	2,9	0,6
Bayer	3,3	0,7	2,6
Repsol	3,2	0,4	2,8
Nestle	3,1	2,5	0,7
Vivendi	2,9	0,3	2,6

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

M&G Global Basics Fund

Monthly Fund Review

31 December 2011

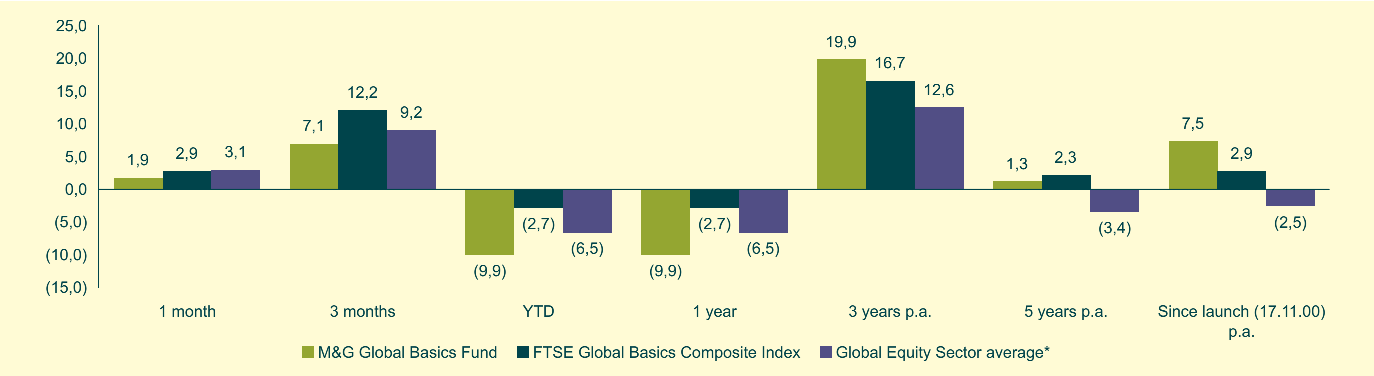
M&G INVESTMENTS

Fund manager - Graham French

Key summary points

- While a relatively large weighting and varied holdings among consumer-related stocks added value, the fund's exposure to gold mining companies had a negative effect on performance.
- Graham believes strongly in the outlook for the likes of gold miners NovaGold and Newmont Mining and he took advantage of their share-price weakness to gain more exposure
- As a result of this activity, the portfolio's cash position fell significantly during the month and the fund is fully invested.

Fund performance (total return, in euro terms, %)



* The global equity sector is the amalgamation of the Morningstar Global Large Cap Blend Equity sector, Morningstar Global Large Cap Value Equity sector, Morningstar Global Large Cap Growth Equity sector, Morningstar Global Small-Cap Equity sector and the Morningstar Global Flex-Cap Equity sector.

Performance review

In a continuation of previous months, global stockmarkets were volatile in December with investor sentiment once again influenced by events in the eurozone. But equities did finish 2011 on good form, rallying in the very last week of the year as investors looked ahead to the New Year and took advantage of attractive valuations. The ECB's decision to cut interest rates and introduce additional liquidity measures to support the banks and the economy was welcomed, while European leaders agreed to move closer to fiscal union. However, economic news from the eurozone showed no sign of improvement, unlike in the US where better consumer confidence and unemployment data provided a much-needed glimmer of hope.

A notable rise in US consumer confidence readings combined with a fall in input prices meant that shares in consumer-related companies secured some of the best returns in December. While a relatively large weighting and varied holdings in this area of the market enabled the fund to benefit from this development, its exposure to mining companies had a negative effect on performance.

Positive contributors

At a stock level, holdings in US fertiliser manufacturer **Scotts Miracle-Gro**, oral hygiene products business **Colgate-Palmolive** and Japan's probiotic drinks manufacturer **Yakult Honsha** added value to performance. All three companies have provided support to the fund during the stockmarket turmoil of the past 12 months thanks to their broadly defensive characteristics. These highly cash-generative and globally diversified companies are expanding their foothold in the emerging markets, while keeping a grip on their competitive pricing power.

Also within consumer-related companies, the share price of **Hong Kong & Shanghai Hotels (HKSH)**, which operates a chain of luxury hotels across Asia, rebounded. Shares in HKSH had been sold in previous months amid concerns over the impact of the recent floods in Thailand on one of its main hotels, the Peninsula, based in Bangkok.

Elsewhere, two of the fund's leading contributors to performance were mining stocks – UK-listed mineral sands miner **Kenmare Resources** and its Australian counterpart **Iluka Resources**. Shares in both companies gained on the back of positive expectations for mineral sand prices in 2012, which in turn helped them to extend their good performance of the year and finish 2011 on a high note. Despite investors' cautious attitude towards commodity-related stocks for the best part of 2011, 'late cyclical' companies - Iluka and Kenmare - contributed positively to the fund over the 12 months to the end of December, supported by their strong asset bases and attractive supply/demand characteristics for mineral sands.

Negative contributors

In a reversal of previous months, the fund's exposure to gold mining companies, in particular **Centerra Gold**, **Eldorado Gold**, **NovaGold** and **Newmont Mining**, hurt performance. The value of gold declined in December mainly due to the strength of the US dollar and concerns of pressure on

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margins. Our investment case for Centerra, Eldorado, NovaGold and Newmont is based on the improved approach of their management teams to capital discipline and the alignment of corporate and shareholder interests, rather than the gold price.

Shares in **K&S** continued to struggle amid weaker potash prices and concerns about the strength of the European economy. K&S, which produces potash, a key ingredient in the manufacture of fertiliser, is a good example of the type of company in the fund's food & agricultural theme. As Europe's largest potash producer, K&S is well placed to benefit from growing demand for arable land yields worldwide. We believe that the company's share price underestimates the promising future of the business.

Key changes

The fund manager did not make any complete sales or purchases in December. He did, however, use the fund's large cash position to add to some of his greatest conviction positions at attractive valuation levels. For example, within the fund's gold mining stocks, Graham topped up Centerra Gold, Eldorado and NovaGold, while he also added to previously mentioned K&S, as well as iron ore and coal producer **Aquila Resources**. As a result, the fund's cash position fell from 4.5 % at the end of November to 1.5 % at the end of December.

Key information

Fund manager tenure from	17 November 2000
Fund size (millions)	€6.630,29
Comparative index	FTSE Global Basics Composite Index*
No. of holdings	63
Portfolio turnover over 12 months	47,4 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB0030932676
Bloomberg	MGGBEAA LN
SEDOL code	3093267

* The fund's benchmark comprises all subsectors of the FTSE World Index except media, IT, telecommunications, financials and healthcare.

Fund ratings

Overall Morningstar Rating	★★★★★
S&P Fund Management Rating	AAA

Industry breakdown (%)

	Fund	Index	Relative weight
Basic materials	37,3	13,7	23,6
Healthcare	6,2	0,0	6,2
Financials	3,0	0,0	3,0
Telecommunications	0,0	0,0	0,0
Information technology	0,0	0,0	0,0
Consumer goods	22,1	23,7	-1,6
Industrials	14,9	21,6	-6,7
Oil & gas	12,6	20,0	-7,4
Utilities	0,0	7,4	-7,4
Consumer services	2,4	13,6	-11,2
Cash	1,5	0,0	1,5

Geographical breakdown (%)

	Fund	Index	Relative weight
Australia	22,6	3,1	19,5
US	19,2	44,0	-24,8
UK	15,6	10,3	5,3
Germany	8,5	3,7	4,8
Canada	7,3	4,5	2,8
Singapore	7,1	0,5	6,6
France	3,5	4,5	-1,0
Japan	3,1	9,5	-6,4
Other	11,6	19,9	-8,3
Cash	1,5	0,0	1,5

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (>$50bn)	3,3	29,9	-26,6
Large cap ($10-$50bn)	19,3	41,6	-22,3
Mid cap ($2-$10bn)	56,2	24,9	31,3
Small cap (<$2bn)	19,6	3,5	16,1
Cash	1,5	0,0	1,5

Currency exposure (%)

	Fund
Australian dollar	21,9
US dollar	21,4
British pound	18,5
Euro	17,0
Singapore dollar	7,1
Canadian dollar	5,7
Japanese yen	3,1
Other	5,3

Top holdings (%)

	Fund	Index	Relative weight
Tullow Oil	5,6	0,1	5,5
Fraser & Neave	5,1	0,0	5,1
Iluka Resources	4,7	0,0	4,7
Symrise	4,4	0,0	4,4
G4S	4,1	0,0	4,1
Ansell	4,0	0,0	4,0
K&S	3,4	0,1	3,3
Colgate-Palmolive	3,2	0,3	2,9
Oz Minerals	3,1	0,0	3,1
Scotts Miracle	3,0	0,0	3,0

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

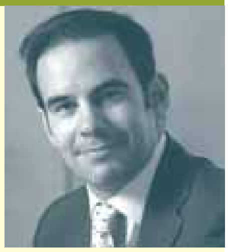
Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

M&G Global Convertibles Fund

Monthly Fund Review

31 December 2011

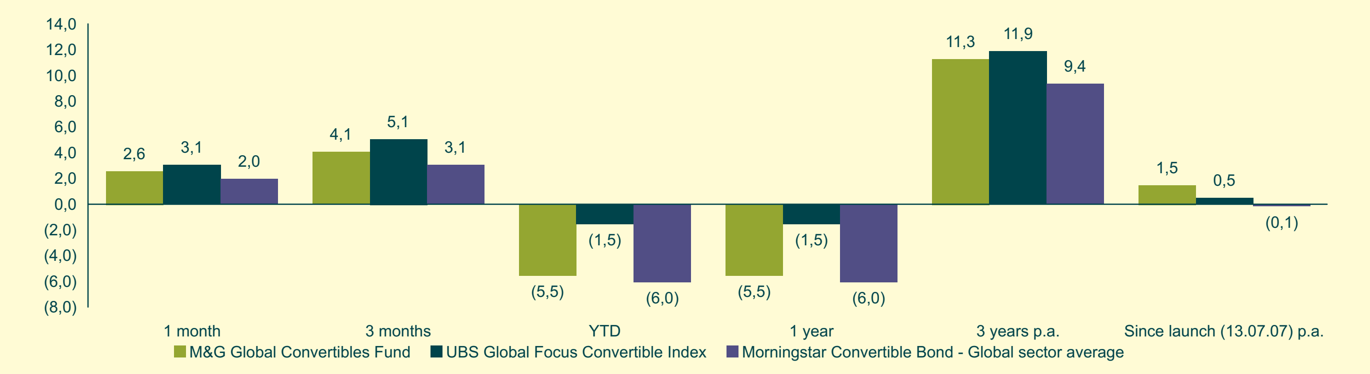
Fund manager - Léonard Vinville



Key summary points

- Equity markets enjoyed some respite on hopes that Europe's politicians might be able to agree a solution to the region's debt crisis. However, all that came out of a summit meeting was further confusion. Nevertheless, investors were encouraged by better economic data from the US.
- The fund benefited from the good performance of several convertibles issued by companies from the UK and US.
- Léonard Vinville sold the fund's stake in a convertible issued by Japanese glass manufacturer Asahi Glass.

Fund performance (total return, in euro terms, %)



Performance review

Once again, investors' concern about Europe's debt crisis overshadowed global equity markets. Although hopes of a solution to the problems led to some early strength in share prices, the fact that no concrete plans were agreed at a summit meeting led to disappointment. Towards the end of the month, better economic data from the US improved sentiment. The fund benefited from the good performance of several convertibles issued by companies in the UK and US, which were boosted by positive trading news.

Positive contributors

Better-than-expected results led to a rally in the shares of tour operator **TUI Travel** and bouyed the price of the company's convertible, which was the biggest individual contributor to performance. As well as reporting good results in a difficult year, the firm is expected to benefit from the financing problems being encountered by rival holiday provider Thomas Cook. Despite rising in price recently, the convertible still provides a high level of yield, underlining its attractions.

A convertible from **Lincare** , a US healthcare business that supplies oxygen and other respiratory services to patients in their homes, also generated value for the fund. The stock has attracted buying interest thanks to its good risk/reward profile, while the underlying company has an impressive record of earnings growth in a defensive sector.

Finally, the bond issued by Power Regal that converts into shares of Hong Kong-listed conglomerate **Beijing Enterprises** was supported by positive news regarding several of the underlying entities. For example, rising demand for natural gas is improving the outlook for Beijing Gas, while the group's solar energy project is soon expected to begin power generation.

Negative contributors

Continued uncertainty about the situation regarding the debt crisis in Europe weighed on the value of a number of European convertibles. The largest detractor was a bond issued by Magnolia Finance that converts into the shares of Hungarian oil producer **MOL** . Although Hungary is suffering extreme turmoil during the debt crisis, fund manager Léonard Vinville is confident that MOL's diversity and size will enable it to ride out the storm.

Similarly, the convertibles from Greek lottery system developer **Intralot** and French IT designer **ATOS** lost ground as investors worried about the effect of a possible recession in Europe. Léonard remains comfortable having exposure to both issuers.

The prospect of slower economic growth, particularly in China, which could reduce demand for raw materials, led to a weakening in the share price of Indian zinc producer **Sterlite Industries** . Also in the basic materials sector, stocks in Finnish nickel miner **Talvivaara** fell as investors began to question whether the company would be able to meet its production targets. However, early in the new year, Talvivaara confirmed that it had indeed met the objectives for 2011.

Key changes

In a relatively quiet month for portfolio activity, as befits Léonard's long-term

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investment approach, the entire holding of a convertible from Japanese glass manufacturer **Asahi Glass** was sold. The convertible does not pay a coupon and, given that the sensitivity to equity price movements has reduced markedly over recent months, Léonard did not believe that the convertible provided compelling value.

He also reduced exposure to some other zero-coupon convertibles, including those from two Japanese companies, meat processor **Nippon Meat Packers** and brewer **Asahi Group**, as well as US software giant **Microsoft**.

Key information

Fund manager tenure from	13 July 2007
Fund size (millions)	€616,71
Comparative index	UBS Global Focus Convertible Index
No. of holdings	60
Delta	0,37
Convexity	5,59 %
Points over bond floor to maturity	5,9 %
Elasticity	29,9 %
Modified duration (years)	4,3
Expected life (years)	2,4
Portfolio yield	4,07 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB00B1Z68494
Bloomberg	MGGLCOE LN
SEDOL code	B1Z6849

Fund ratings

Overall Morningstar Rating	★★★★
S&P Fund Management Rating	AA/V5

Industry breakdown (%)

	Fund
Technology	17,0
Industrials	13,6
Oil & Gas	12,8
Telecommunications	11,8
Basic Materials	11,5
Health Care	9,1
Financials	8,7
Consumer Services	7,8
Consumer Goods	5,5
Utilities	0,0
Cash	2,2

Geographical breakdown (%)

	Fund
US	38,7
UK	14,7
France	9,0
Japan	7,0
Russia	4,2
Hong Kong	4,0
India	3,5
Netherlands	3,4
Other	13,4
Cash	2,2

Currency exposure (%)

	Fund
US dollar	56,7
Euro	21,6
British pound	10,9
Japanese yen	7,0
Hong Kong dollar	2,3
Singapore dollar	1,4

Top holdings (%)

	Fund
Orix 1.0 % 31-Mar-2014	3,0
Tui Travel 6.0 % 05-Oct-2014	3,0
Lincare 2.750 % 01-Nov-2037	2,6
Lukoil 2.625 % 16-Jun-2015	2,6
Structured Microsoft 15-Jun-2013	2,4
Symantec 1.0 % 15-Jun-2013	2,4
Structured Cisco 22-Feb-2016	2,3
Power Regal Group 2.250 % 02-Jun-2014	2,3
Sterlite Industries 4.0 % 30-Oct-2014	2,3
Gilead Sciences 1.625 % 01-May-2016	2,3

Credit rating breakdown (%)

	Fund
AAA	2,4
AA	1,8
A	13,3
BBB	13,2
BB	10,3
B	4,0
No rating	52,9
Cash	2,2

Pre-packaged bank-issued synthetics: 0,0 %

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, gross income reinvested, bid to bid basis.

M&G Global Dividend Fund

Monthly Fund Review

31 December 2011

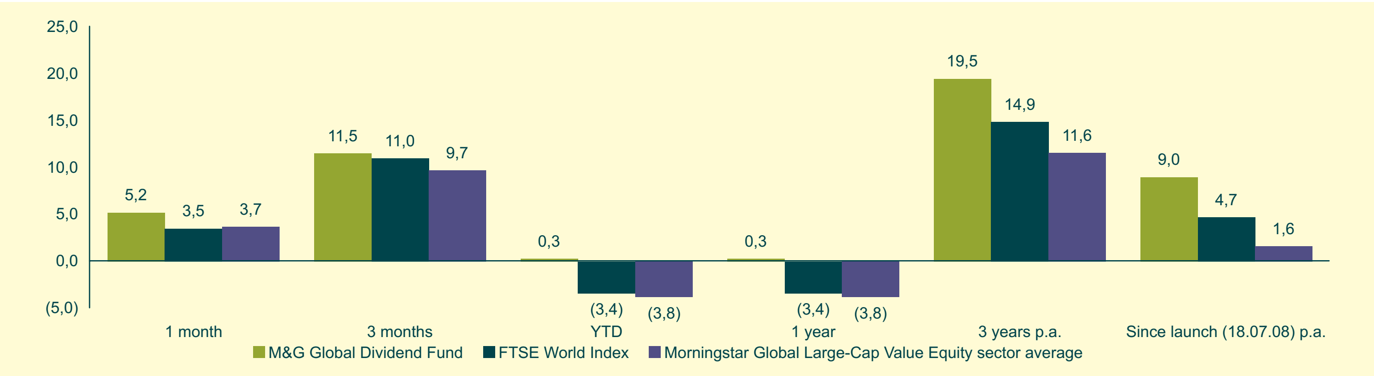
M&G INVESTMENTS

Fund manager - Stuart Rhodes

Key summary points

- Global equity markets were buoyed by the hope that Europe's politicians would be able to solve the region's debt crisis. Unfortunately, a summit meeting produced only further confusion, before better US economic data supported shares towards the end of the year.
- Stakes in two Swiss drug developers, namely Novartis and Roche, contributed to the good performance of the fund.
- Stuart Rhodes bought shares in Australian testing services provider Campbell Brothers and Canadian insurer Intact Financial.

Fund performance (total return, in euro terms, %)



Performance review

Shares enjoyed a strong start to the month as investors began to believe that Europe's politicians might be able to agree a solution to the region's debt crisis. However, a summit meeting did not produce any concrete plans and the rally petered out. Nevertheless, better economic data from the US improved sentiment towards the end of the year. Performance was flattered slightly by the reversal of timing issues from the previous month. Since the fund is priced at midday, it missed out on much of the sharp recovery that occurred late on 30 November. Instead, the rally was included in December's figures.

Positive contributors

The fund's stakes in two Swiss pharmaceutical companies, **Novartis** and **Roche**, made significant contributions to performance. As well as benefiting from their defensive nature, whereby their earnings growth does not rely on an improvement in the economy, both companies reported encouraging news regarding drugs in development.

Individually, most value was generated by US insurance agent **AJ Gallagher**, which was boosted by some well-received meetings between analysts and the management. The company's executive team were cautiously optimistic about the outlook for the group's brokerage operations. In the same industry, insurance provider **Chubb** was helped by an improvement in premium rates in November.

Negative contributors

The largest detractor to performance was a holding in **Prosafe**, the Norwegian provider of semi-submersible accommodation and service rigs to the oil & gas exploration industry. Some investors became concerned about the new debt the business would assume to finance the building of a new rig to be used off the coast of Norway. Fund manager Stuart Rhodes believes the new unit will reinforce Prosafe's leading position in harsh environment lodging facilities and increase the company's ability to meet its clients' increasingly complex requirements. Accordingly, he increased the fund's exposure.

Concerns about slowing growth in the global economy, particularly in Asia, weighed on the chemical sector and the portfolio's positions in Canadian methanol producer **Methanex** and Australian explosives manufacturer **Orica** cost some value.

Slower economic activity in Singapore, where forecasts were recently downgraded, could have an adverse effect on both the number of new loans granted by financial group **DBS** and the ability of borrowers to repay their debts. In Stuart's view, growth will remain more resilient in Asia than western countries and he maintains exposure.

Key changes

Stuart initiated two new holdings during the month, namely Campbell Brothers in Australia and Canada's Intact Financial.

Campbell Brothers is a commercial services company with three divisions: testing, chemicals and distribution. The company has strong market positions globally, with good potential for long-term growth. The management team has a strong

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commitment to shareholder value, including the payment of dividends.

Intact Financial, the leading property and casualty insurer in Canada, has a long history of outperforming the industry in terms of profitability and growth. Having excellent capital discipline, the business has increased its dividend every year since listing on the stock exchange in 2004.

To help fund these purchases, the fund manager reduced the holding in Telefonica, where he had become concerned about the sustainability of the dividend. These worries were confirmed when the Spanish telecommunications provider announced that, due to tough market conditions, the dividend would be reduced. The stake in AES Tiete, the Brazilian hydroelectric power producer, was also trimmed.

Key information

Fund manager tenure from	18 July 2008
Fund size (millions)	€2.086,69
Comparative index	MSCI AC World
Historic yield	3,47 %
No. of holdings	52
Portfolio turnover over 12 months	32,4 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB00B39R2S49
Bloomberg	MGGDAAE LN
SEDOL code	B39R2S4

Fund ratings

Overall Morningstar Rating ★★★★★

Industry breakdown (%)

	Fund	Index	Relative weight
Consumer goods	19,1	13,0	6,1
Basic materials	12,9	7,5	5,4
Financials	19,3	18,8	0,5
Utilities	4,2	4,1	0,1
Healthcare	8,8	9,0	-0,2
Oil & gas	10,2	10,9	-0,7
Technology	8,3	10,5	-2,2
Telecommunications	1,4	4,5	-3,1
Industrials	7,6	11,9	-4,3
Consumer services	5,6	9,9	-4,3
Cash	2,5	0,0	2,5

Geographical breakdown (%)

	Fund	Index	Relative weight
US	37,8	47,3	-9,5
UK	12,3	8,9	3,4
Canada	7,1	4,2	2,9
Australia	7,0	3,4	3,6
Switzerland	6,9	3,3	3,6
Brazil	4,7	2,2	2,5
Spain	3,4	1,4	2,1
Norway	3,1	0,4	2,7
Other	15,1	29,0	-13,9
Cash	2,5	0,0	2,5

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (>$50bn)	31,7	36,1	-4,5
Large cap ($10-$50bn)	37,5	38,9	-1,5
Mid cap ($2-$10bn)	23,5	21,8	1,7
Small cap (<$2bn)	4,9	3,1	1,8
Cash	2,5	0,0	2,5

Top holdings (%)

	Fund	Index	Relative weight
Methanex	3,6	0,0	3,6
Chubb	3,4	0,1	3,3
Reynolds American	3,3	0,1	3,2
Novartis	3,2	0,6	2,6
Prosafe	3,1	0,0	3,1
Banco do Brasil	2,8	0,1	2,7
Prudential	2,8	0,1	2,7
TransCanada	2,8	0,1	2,7
Wal-Mart	2,8	0,6	2,2
Intel	2,7	0,5	2,2

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

M&G Global Emerging Markets Fund

Monthly Fund Review

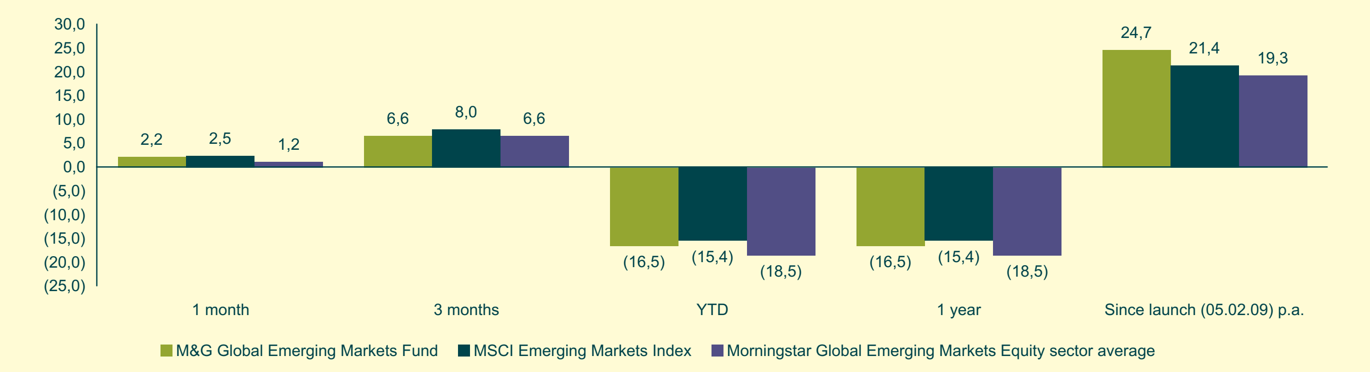
31 December 2011

Fund managers - Matthew Vaight & Michael Godfrey

Key summary points

- Emerging market equities underperformed developed market shares in December, with India, Russia and Hungary delivering particularly poor returns.
- Fund performance was affected by negative stock selection among its Indian and financial holdings.
- The co-fund managers Michael Godfrey and Matthew Vaight sold one stock during the month: multinational consumer goods company **PZ Cussons**. There were no new purchases.

Fund performance (total return, in euro terms, %)



Performance review

Political concerns in key markets and the on-going EU debt crisis affected the returns from emerging markets equities in December; they underperformed their developed market counterparts over the month. Asia was the best-performing emerging market region, although India declined. Returns were weak in Russia and Egypt, where political concerns blighted the market, and Hungary, which is in need of a further IMF bailout. Fund performance was mainly affected by poor stock selection, particularly among its Indian and financial holdings.

Positive contributors

Compal Electronics, the Taiwanese manufacturer of laptops, was the leading contributor to performance during the month as investors reacted positively to encouraging news regarding product sales.

A number of the fund's energy-related holdings also performed well, including Brazilian power generator **Energias do Brasil**, Thailand's leading oil and gas firm **PTT Exploration and Production**, and Hong Kong-listed **Shanghai Electric**. Sentiment towards the latter, a manufacturer of power generation equipment, improved following a strategic alliance with German engineering group Siemens.

The drop in the oil price benefited **Imperial Holdings**, a South African logistics company serving the retail industry, and Brazilian freight transporter **All America Latina Logistica**.

Negative contributors

A number of the fund's Indian holdings lost value in December. Signs that the Indian economy was slowing, persistent high inflation, and the reversal of the government's plan to open India to foreign retailers, dampened investor sentiment. Shares in utility company **CESC**, which also owns a retail business, Spencers, fell sharply following the government's decision not to allow overseas competition to enter the Indian retail market. Nonetheless, the fund managers continue to like the company and believe it is attractively priced. In their view, investors are overly focused on the retail venture and undervaluing its core utility business.

Telecommunications company **Idea Cellular**, which has been a strong performer in recent months, and rice producer **REI Agro** were both weak, while **Bank of India** suffered from its close connection to the wider economy. However, the fund managers remain confident that these companies have sound business models and will be able to generate attractive returns for investors over the long term.

Financials were prominent among the detractors. Egyptian bank **Commercial International Bank** weighed on performance as investors reacted negatively to the on-going political uncertainty in Egypt. The share price of **Asya Katilim Banka**, a Turkish bank, suffered as a result of wider concerns about the Turkish economy, in particular, the high levels of inflation. Russia's **Nomos Bank** was affected by market falls following the protests against the recent election results. The managers believe that the long-term potential of these holdings is still attractive.

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Key changes

There were no new holdings in December. The managers took advantage of share-price weakness to increase their stakes in two recent purchases, Egyptian dairy company **Juhayna Food Industries** and Korean internet company **NHN**. Turning to sales, global consumer goods company **PZ Cussons** has performed very strongly in recent months and the managers finally sold their remaining shares on valuation grounds.

Key information

Fund manager tenure from	5 February 2009
Fund size (millions)	€658,13
Comparative index	MSCI Emerging Markets Index
No. of holdings	61
Portfolio turnover over 12 months	26,6 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB00B3FFXZ60
Bloomberg	MGGEMAE LN
SEDOL code	B3FFXZ6

Fund ratings

S&P Fund Management Rating	A

Industry breakdown (%)

	Fund	Index	Relative weight
Utilities	6,7	3,7	3,0
Healthcare	3,8	1,0	2,8
Materials	15,3	13,2	2,1
Industrials	8,4	6,4	2,0
Telecommunications	9,1	8,5	0,6
Information technology	13,6	13,1	0,5
Energy	11,8	14,0	-2,2
Consumer discretionary	5,3	8,1	-2,8
Consumer staples	4,2	8,1	-3,9
Financials	18,6	23,8	-5,2
Cash	3,2	0,0	3,2

Geographical breakdown (%)

	Fund	Index	Relative weight
Brazil	16,3	14,9	1,4
China	12,9	17,5	-4,6
Korea	11,4	15,0	-3,6
South Africa	8,1	7,8	0,3
India	5,7	6,2	-0,5
Taiwan	4,6	10,9	-6,3
Mexico	4,6	4,7	-0,1
Thailand	4,1	1,9	2,2
Other	29,2	21,0	8,2
Cash	3,2	0,0	3,2

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (>$50bn)	17,8	8,6	9,2
Large cap ($10-$50bn)	21,6	35,6	-14,0
Mid cap ($2-$10bn)	37,1	40,5	-3,4
Small cap (<$2bn)	20,4	15,2	5,2
Cash	3,2	0,0	3,2

Top holdings (%)

	Fund	Index	Relative weight
Samsung Electronics	4,5	3,1	1,4
Taiwan Semiconductor	2,8	1,9	0,9
Vale do Rio Doce	2,5	1,3	1,2
Petrobras	2,3	1,5	0,8
Lukoil	2,2	0,8	1,4
Totvs	2,2	0,1	2,1
CNOOC	2,1	1,0	1,1
MTN	2,1	0,9	1,2
Standard Bank	2,1	0,4	1,7
Fomento Economico Mexica	2,1	0,4	1,7

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

M&G Global Growth Fund

Monthly Fund Review

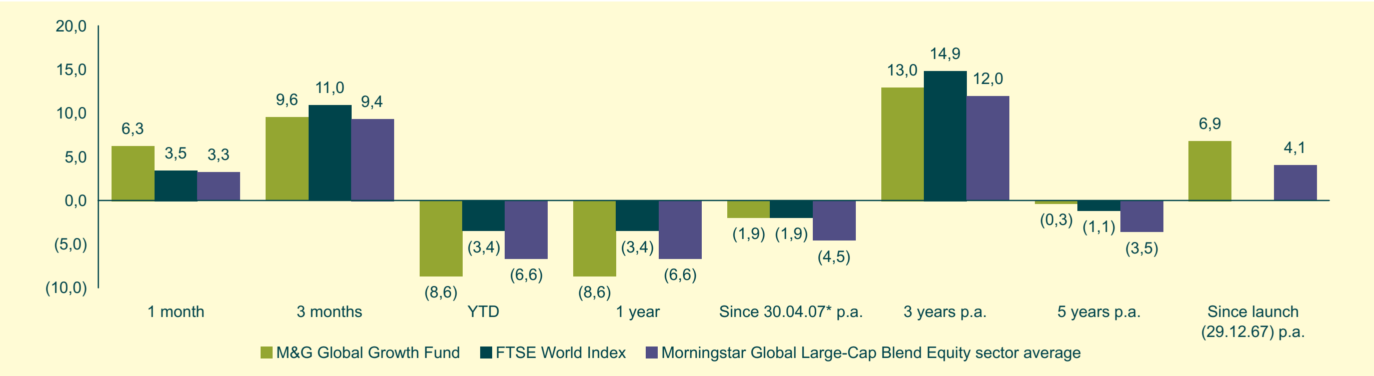
31 December 2011

Fund manager - Greg Aldridge

Key summary points

- Highlighting the diversity of companies in the fund - leading contributors to performance came from a range of sectors and included European aerospace giant EADS, global security services provider G4S and Hong Kong manufacturer of electronic and electrical products Techtronic.
- Newcomer to the portfolio – specialty chemicals manufacturer AZ Electronic Materials is a high returning business that boasts attractive growth drivers, faces little competition and should benefit from its scale in R&D.

Fund performance (total return, in euro terms, %)



* Greg Aldridge took over as fund manager on 1 May 2007.

Performance review

December was a mixed month for stockmarkets with investors' feelings of relief that such a challenging and eventful year was at last coming to an end intertwined with worries over the eurozone debt crisis. Nevertheless, global equities finished 2011 on good form, rallying strongly in the very last week of the year as investors looked ahead to the New Year and took encouragement from politicians' intensified efforts to solve the debt crisis.

On an economic front, signs of a divide between the US and Europe began to emerge. Economic data from the eurozone failed to inspire confidence and French and German stocks bore the brunt of investors' concerns over the region's problems. Meanwhile, across the Atlantic, reports of improving consumer confidence and a fall in unemployment helped the US stockmarket to extend its strong performance of the quarter.

More defensive industries were the focus of investor attention with consumer-related sectors, healthcare, utilities and telecommunications securing the best returns, while basic materials, particularly mining, lagged behind. Good stock selection among consumer goods and support services companies contributed positively to the fund. In addition, given that the fund is priced at midday, the stockmarket rally that took place during the afternoon of 30 November was captured in December's return and therefore boosted performance.

Positive contributors

The last month of 2011 saw European aerospace giant **EADS** maintain its solid performance of the year and the holding delivered a healthy contribution to the fund's return. Since EADS has a euro cost base, the weakness of the currency helped to lift sentiment in the business. In addition, investors appear to be recognising the strength of the company's order book, which was reinforced in December when the chief executive of Emirates said the airline would be looking to place more orders for the A380 superjumbo jet soon.

The share price of global security services provider **G4S** continued to make further ground in December. Still relieved that G4S dropped its proposed takeover bid for Danish services provider **ISS** at the end of October, investors appear to be refocusing on the long-term outlook for the business. Indeed, our investment rationale for G4S is based on its compelling long-term prospects and international expansion.

The fund was well placed to benefit from the improved sentiment surrounding the US economy thanks to its positions in major Asian exporters. For example, holdings in Hong Kong-based Techtronic Industries, a leading manufacturer of electrical and electronic products, and Taiwanese lap top maker Compal Electronics, added value to the portfolio.

Negative contributors

Several of the biggest detractors in December were German stocks, which saw their share prices slide amid concerns over the eurozone. It is important to note that share-price performance was again mostly driven by

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investor sentiment rather than deteriorating company fundamentals or negative newsflow. This was particularly the case for **Wincor Nixdorf**, a German business that supplies cash machines, whose share price struggled for the best part of 2011. In our opinion, Wincor is a well positioned business with attractive long-term prospects that have been unduly discounted by the market because of the eurozone debt crisis.

Still in Germany, business management software provider **SAP** was dealt the double blow of fears over the challenging situation in Europe and news of disappointing earnings from its US counterpart Oracle. December's weakness aside, SAP performed well throughout 2011 and made a significant contribution to the fund during this time. Our investment case for SAP is based on the company's compelling long-term outlook and the potential for margins to improve as the profitable maintenance business continues to grow. As with the majority of holdings in the fund, SAP is a globally diversified business and is therefore not overexposed to issues within its domestic market, or Europe, for that matter.

Key changes

There was relatively little portfolio activity in December, although we did sell the remainder of our holding in French ski resort operator Compagnie des Alpes, preferring to invest the assets elsewhere. For example, we established a holding in British specialty chemicals producer AZ Electronic Materials. As a stock that has been on our radar for some time, we took advantage of the liquidity provided by a placing of shares in December to initiate a meaningful stake in the business at an attractive valuation.

AZ Electronics is the leading producer of extremely specialised chemicals used in the manufacture of semiconductors. The company boasts high market shares across all of its activities and should continue to benefit from scale in research and development, as well as limited competition. The main long-term growth driver for the business is the volume of wafers it produces, which are used in a growing range of applications. Even if prices are sensitive, volumes tend to remain relatively stable. Market valuations for the company currently suggest unsustainable returns or no growth at all - both of which we believe are unlikely outcomes, especially given that the business creates significant value, as demonstrated by its annual cashflow return on investment of between 25 % and 30 %.

Key information

Fund manager tenure from	30 April 2007
Fund size (millions)	€1.015,34
Comparative index	MSCI AC World
No. of holdings	63
Portfolio turnover over 12 months	-2,8 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB0030938145
Bloomberg	MGIGEAA LN
SEDOL code	3093814

Fund ratings

Overall Morningstar Rating	★★★★
S&P Fund Management Rating	AA

Industry breakdown (%)

	Fund	Index	Relative weight
Industrials	23,0	11,9	11,1
Consumer goods	18,7	13,0	5,7
Technology	14,5	10,5	4,0
Healthcare	8,8	9,0	-0,2
Basic materials	6,8	7,5	-0,7
Oil & gas	9,5	10,9	-1,4
Telecommunications	1,4	4,5	-3,1
Consumer services	6,6	9,9	-3,3
Utilities	0,0	4,1	-4,1
Financials	10,1	18,8	-8,7
Cash	0,7	0,0	0,7

Geographical breakdown (%)

	Fund	Index	Relative weight
US	30,2	47,3	-17,1
France	11,3	3,8	7,5
Germany	9,3	3,0	6,3
Switzerland	8,7	3,3	5,4
Japan	8,2	8,0	0,2
Brazil	4,9	2,2	2,7
UK	4,8	8,9	-4,1
Hong Kong	4,3	1,8	2,5
Other	17,6	21,6	-4,0
Cash	0,7	0,0	0,7

Capitalisation breakdown (%)

	Fund
Mega cap (>$50bn)	36,4
Large cap ($10-$50bn)	25,0
Mid cap ($2-$10bn)	21,6
Small cap (<$2bn)	16,3
Cash	0,7

Top holdings (%)

	Fund	Index	Relative weight
Equifax	2,4	0,0	2,4
Nestle Finance	2,4	0,8	1,6
EADS	2,3	0,0	2,3
Ericsson	2,3	0,1	2,2
Roche Genusscheine	2,3	0,5	1,8
Google	2,3	0,6	1,7
Procter & Gamble	2,3	0,7	1,6
Colgate-Palmolive	2,3	0,2	2,1
Cisco Systems	2,3	0,4	1,9
Adidas	2,3	0,1	2,2

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

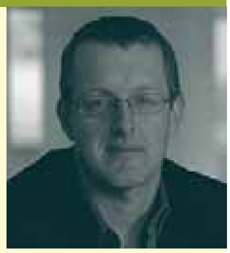
Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

M&G Global Leaders Fund

Monthly Fund Review

31 December 2011

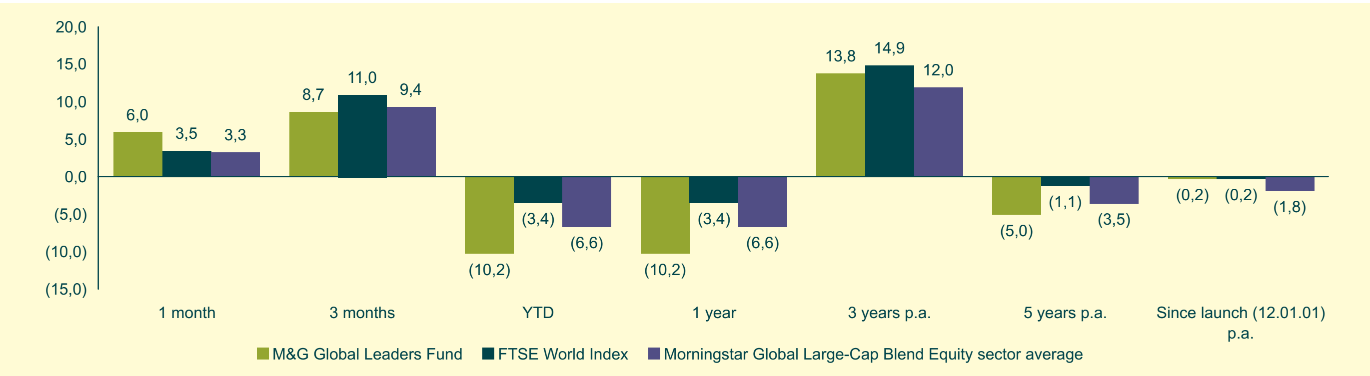
Fund manager - Aled Smith



Key summary points

- Global equities rose in December, helped by the improving economic picture in the US.
- The fund's underlying performance was held back by negative stock selection, primarily within its German holdings, which were affected by risk aversion in Europe. This was slightly offset by the overweight position in US and Japanese equities, which outperformed.
- The fund manager initiated a position in Hong Kong-listed financial services firm AIA and sold a number of stocks, including Devry and Foster's.

Fund performance (total return, in euro terms, %)



Performance review

Global equities made gains in December, but the upward momentum was insufficient to deliver a positive return for the whole of 2011. North America was the best performing region as encouraging economic data boosted risk appetite among US investors. Asia Pacific also performed well, but the mood was subdued in Europe, with Germany and Finland registering losses. At the sector level, healthcare and consumer services were among the best performers, while cyclical areas such as basic materials lagged on persistent concerns about the outlook for global growth.

The fund's performance relative to the benchmark was flattered slightly by the reversal of the timing issues from the previous month. Since the fund is priced at midday, it missed out on much of the sharp recovery that occurred late on 30 November. Instead, the rally was included in December's figures. Over the month, stock selection at both country and sector level detracted from the fund's underlying performance, as overall higher quality companies continued to be in demand from investors. Weakness among the fund's German and technology holdings outweighed the positive contribution from the fund's US and healthcare holdings.

Positive contributors

Healthcare was one of the best performing sectors in December and pharmaceutical companies featured prominently in the list of top contributors to fund performance. As the reporting season began in the US, investors reacted positively to good company results and shares in US firms **Eli Lilly**, **Pfizer** and **CVS Caremark** advanced. Pfizer announced that it was increasing its next dividend payout by 10%, as well as authorising a new share repurchase program for up to $10 billion. French company **Sanofi** also added value as it reported positive results for a diabetes treatment.

Encouraging corporate results at diversified technology and financial services company **General Electric** ensured that it was the best performing stock over the month. The company, which is generally regarded as a bellwether for the US economy, also benefited from increased optimism about the economic recovery.

Improving sentiment in the US influenced the Japanese market and computer games manufacturer **Sega Sammy** and convenience store operator **Lawson** both performed well in December.

Negative contributors

The German stockmarket fell in December as a result of investors' concerns about the effects of the eurozone debt crisis on the region's growth prospects. Increased fears of a recession meant four German companies were among the leading detractors. Shares in **Metro**, the country's biggest retailer, lost significant value as the company forecast that sales and earnings will decline this year. Software manufacturer **SAP**, telecommunications firm **Deutsche Telekom**, which abandoned its sale of T-Mobile USA to AT&T during month, and airline **Deutsche Lufthansa**, which is a highly cyclical business, all weighed on performance. Fund manager Aled Smith believes that the continuing

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turmoil in Europe is beginning to open up a valuation opportunity, particularly within the more cyclical end of the European market.

Gold producer **Newmont Mining** suffered in December as environmental protests temporarily halted the development of its new mine in Peru. The company's share price came under further pressure as the gold price declined during the month. Aled believes that investors are paying too much attention to what is ultimately a short-term issue that affects a minority of the company's assets. He remains supportive of the company, which has adopted a greater focus on creating shareholder value and linked its dividend payout to the gold price.

Given the uncertainty about the outlook for the global economy, energy companies **Forest Oil** and **Anadarko Petroleum** weighed on performance. Both companies have been good performers recently and, as a result, are giving back a little of their relative gains.

Key changes

Aled continued to consolidate the portfolio in December and a number of holdings were sold, including **Devry**, **Foster's** and bearings manufacturer **Timken**. US education provider Devry has struggled of late as a result of fears over government spending cuts and lower student enrolment trends during the downturn. The position in Australian drinks company Foster's was closed after it was acquired by London-based brewer SABMiller.

In addition, Aled initiated a position in financial services company **AIA**, which operates across Asia. The company fits into the fund's 'positive internal change' story having been spun out of parent company AIG under its new chief executive Mark Tucker. In Aled's view, Mark Tucker, who has extensive experience in the region, is a good fit for a company that now has the autonomy to pursue its own profitable growth path free of the issues that continue to weigh on the wider AIG group.

Key information

Fund manager tenure from	30 September 2002
Fund size (millions)	€1.034,00
Comparative index	MSCI AC World
No. of holdings	84
Portfolio turnover over 12 months	184,2 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB0030934490
Bloomberg	MGGLEAA LN
SEDOL code	3093449

Fund ratings

Overall Morningstar Rating	★★★
S&P Fund Management Rating	AA

Industry breakdown (%)

	Fund	Index	Relative weight
Consumer services	18,7	9,9	8,8
Healthcare	13,4	9,0	4,4
Industrials	16,3	11,9	4,4
Oil & gas	10,3	10,9	-0,6
Technology	9,8	10,5	-0,7
Utilities	2,5	4,1	-1,6
Consumer goods	10,8	13,0	-2,2
Basic materials	4,9	7,5	-2,6
Telecommunications	1,5	4,5	-3,0
Financials	8,9	18,8	-9,9
Cash	2,8	0,0	2,8

Geographical breakdown (%)

	Fund	Index	Relative weight
US	54,1	47,3	6,8
Japan	14,3	8,0	6,3
Germany	5,6	3,0	2,6
UK	4,2	8,9	-4,7
Switzerland	2,8	3,3	-0,5
France	2,5	3,8	-1,3
Australia	1,8	3,4	-1,6
Brazil	1,7	2,2	-0,5
Other	10,1	20,0	-9,9
Cash	2,8	0,0	2,8

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Mega cap (>$50bn)	27,0	36,1	-9,1
Large cap ($10-$50bn)	33,3	38,9	-5,6
Mid cap ($2-$10bn)	28,3	21,8	6,5
Small cap (<$2bn)	8,5	3,1	5,4
Cash	2,8	0,0	2,8

Top holdings (%)

	Fund	Index	Relative weight
Sanofi-Aventis	2,5	0,4	2,1
Qualcomm	2,5	0,3	2,2
General Electric	2,3	0,7	1,6
Cisco Systems	2,2	0,4	1,8
Pfizer	2,2	0,6	1,6
Heinz	2,1	0,1	2,0
Lowe's	2,0	0,1	1,9
CVS Caremark	2,0	0,2	1,8
Wells Fargo	2,0	0,6	1,4
Intel	2,0	0,5	1,5

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

M&G Japan Fund

Monthly Fund Review

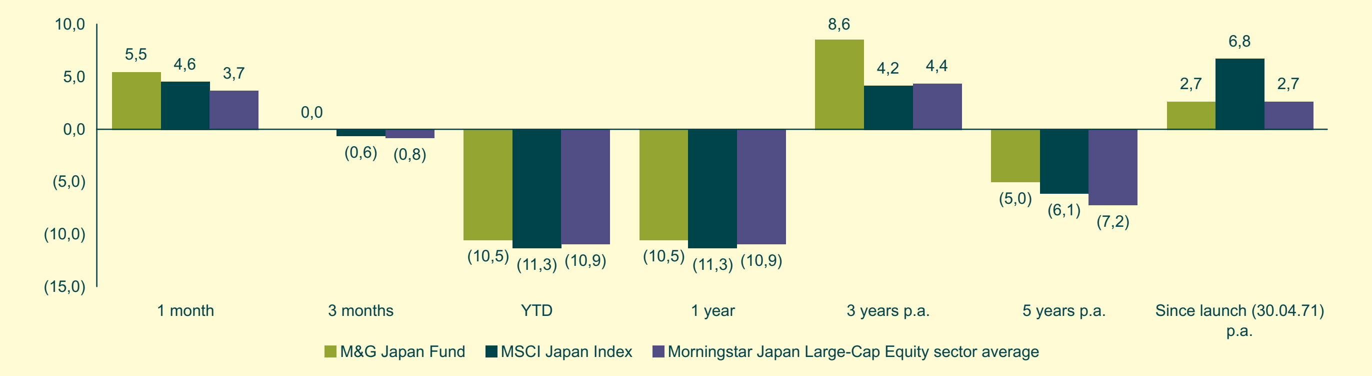
31 December 2011

Fund manager - Dean Cashman

Key summary points

- Japanese equity performance was subdued in sterling terms, but the market was nonetheless ahead of the MSCI World Index.
- Fund performance was supported by strong contributions from holdings in Mitsui OSK, Alfresa and Credit Saison, while technology stocks disappointed.
- The fund manager continued to trim holdings that have done particularly well in order to fund additions to high-conviction positions that have lagged the market.

Fund performance (total return, in euro terms, %)



Performance review

Global equities generally posted modest gains in December even though they underperformed less risky assets such as government bonds. Japanese equity performance was subdued in sterling terms, but the market was nonetheless ahead of the MSCI World Index. General expectations for Japan have been low for some time, as investors link its prospects with concerns over the global economic cycle. The sovereign debt crisis in Europe, one of the country's key export markets, and the yen's strength, which is impacting its competitiveness, have taken their toll on the performance of Japanese shares over a volatile year.

In December, industrial production fell short of expectations and manufacturing sentiment weakened as persistent uncertainty over global demand failed to lend any support to Japanese exports. On a more positive note, the survey of planned production from the Ministry of Economy, Trade and Industry was up 4.8 % month on month in December compared with 2.7 % the previous month, as Japan recovers from the March earthquake.

Against a muted backdrop in December, the M&G Japan Fund outperformed the MSCI Japan Index as well as the IMA Japan sector average, with a number of the fund's holdings across various sectors delivering good returns.

Positive contributors

After being a significant market laggard for most of 2011, shares in **Mitsui OSK**, a recent addition to the fund, rose strongly in December. Signs that overcapacity in the shipping industry is beginning to be addressed has boosted market sentiment. Mitsui OSK has formed alliances within the industry that will combine tanker fleets to improve service coverage and reduce overcapacity, a move that is likely to be supportive of shipping rates.

A holding in pharmaceuticals wholesaler **Alfresa**, which fund manager Dean Cashman believes is very attractively valued, continued to perform well for the fund. The company's nationwide network provides clients with a very wide range of products at good prices, and it continues to add more companies to its network. Investors are beginning to recognise its competitive strengths as a market consolidator.

Elsewhere, improving profitability on the back of lower bad debts and administrative costs led to an appreciation of shares in credit card issuer and transaction-processing company, **Credit Saison**.

Negative contributors

Technology stocks were among the fund's biggest losers, as investors remained concerned about shorter-term profitability for Japan's export-led industries amid a weak global economic environment and the strengthening yen. For example, shares in consumer electronics company, **Panasonic**, underperformed during December. Dean remains supportive of the company as he believes that the stock offers particularly good value. Panasonic's restructuring efforts should deliver significant cost savings, benefiting its potential earnings over the medium term.

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In a reversal to the previous month, the share price of electronic components manufacturer **TDK** fell on profit-taking following a period of strong performance. A number of TDK's competitors had been adversely impacted by the floods in Thailand, where many have production facilities. As a result of this one-off supply shock, TDK benefited as demand for its head disk drives increased. Dean continues to have high conviction in TDK due to its very attractive valuation. Whilst TDK is already a market leader in the next generation of electronics technology, it is also integrating a recent company acquisition that may result in further synergies in terms of reduced costs and product breadth.

Advantest, which manufactures semiconductor testing equipment, underperformed on investor concerns about the risks associated with its recent acquisition of US-based company Verigy. More positively, however, both companies' market positioning is complementary in terms of semiconductor types, geographic reach and client base. Dean's view is that there is significant valuation support for the stock, which more than compensates for the risks associated with the acquisition.

Key changes

The fund manager did not dispose of existing holdings or initiate new positions during the month. He did, however, continue to trim holdings that have done particularly well in order to fund additions to high-conviction positions that have lagged the market. For example, he reduced holdings in Credit Saison, tyre company **Bridgestone** and forestry company **Sumitomo Forestry** to add to Mitsui OSK, steel producer **Tokyo Steel** and Japanese banks **Nomura** and **Mitsubishi UFJ Financial**.

Key information

Fund manager tenure from	2 June 2006
Fund size (millions)	€59,77
Comparative index	MSCI Japan Index
No. of holdings	37
Portfolio turnover over 12 months	36,8 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB0030938582
Bloomberg	MGJAEAA LN
SEDOL code	3093858

Fund ratings

Overall Morningstar Rating ★★★★

Industry breakdown (%)

	Fund	Index	Relative weight
Technology	17,4	6,5	10,9
Financials	23,6	14,3	9,3
Consumer services	14,9	10,0	4,9
Consumer goods	23,2	23,0	0,2
Oil & gas	0,0	2,1	-2,1
Healthcare	4,6	6,7	-2,1
Basic materials	4,5	6,7	-2,2
Utilities	0,0	3,4	-3,4
Telecommunications	3,4	8,0	-4,6
Industrials	8,1	19,3	-11,2
Cash	0,4	0,0	0,4

Top holdings (%)

	Fund	Index	Relative weight
Mitsubishi UFJ Financial	6,0	2,2	3,8
Sumitomo Mitsui Financial	5,3	1,5	3,8
East Japan Railway	5,0	0,9	4,1
Credit Saison	4,1	0,1	4,0
Seven & I	4,1	0,9	3,2
Ricoh	4,1	0,2	3,9
Fuji Media	3,7	0,0	3,7
Sony	3,6	0,7	2,9
KDDI	3,4	1,1	2,3
NEC	3,4	0,2	3,2

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

For Italy, please note that the performance stats are quoted gross of Italian tax (12.50 %) on capital gains. All other statistics from M&G internal sources, as at 31 December 2011 unless indicated otherwise. **Prices may fluctuate and you may not get back your original investment. This document is designed for investment professionals' use only, not for onward distribution to any other person or entity. For Switzerland: Distribution of this document in or from Switzerland is not permissible with the exception of the distribution to qualified investors according to the Swiss Collective Investment Schemes Act, the Swiss Collective Investment Schemes Ordinance and the respective Circular issued by the Swiss supervisory authority ("Qualified Investors"). Supplied for the use by the initial recipient (provided it is a Qualified Investor) only.** In Spain the M&G Investment Funds are registered for public distribution under Art. 15 of Act 35/2003 on Collective Investment Schemes as follows: M&G Investment Funds (1) reg. no 390, M&G Investment Funds (2) reg. no 601, M&G Investment Funds (3) reg. no 391, M&G Investment Funds (7) reg. no 541, M&G Investment Funds (9) reg. no 930, M&G Global Dividend Fund reg. no 713 M&G Dynamic Allocation Fund reg. no 843 and M&G Optimal Income Fund reg. no 522. The collective investment schemes referred to in this document (the "Schemes") are open-ended investment companies with variable capital, incorporated in England and Wales. This information is not an offer or solicitation of an offer for the purchase of investment shares in one of the Funds referred to herein. Purchases of a Fund should be based on the current prospectus. This prospectus, simplified prospectus, annual report and subsequent semi-annual report, are available free of charge, in paper form, from the ACD: M&G Securities Limited, Laurence Pountney Hill, London, EC4R 0HH, GB, or one of the following: M&G International Investments Limited, German branch, Bleidenstraße 6-10, D-60311 Frankfurt am Main, the German paying agent J.P. Morgan AG, Junghofstraße 14, D-60311 Frankfurt am Main, the Austrian paying agent, Raiffeisen Bank International A.G., Am Stadtpark 9, A-1030 Wien, the Luxembourg paying agent, J.P. Morgan Bank Luxembourg S.A., European Bank & Business Center, 6 c route de Treves, 2633 Senningerberg, Luxembourg, Allfunds Bank, Calle Estafeta, No 6 Complejo Plaza de la Fuente, La Moraleja 28109, Alcobendas, Madrid, M&G International Investments Limited, 34 Avenue Matignon, 75008, Paris 8, France or from the French centralising agent of the Fund: RBC Dexia Investors Services Bank France. For Switzerland: Please refer to M&G International Investments Ltd., Bleidenstraße 6-10, D-60311 Frankfurt am Main. For Italy, they can also be obtained from one of the appointed paying agents, details of which can be found by visiting the contact section on the following website: www.mandg-investments.it. Before subscribing you should read the prospectus, which includes investment risks relating to these funds. This financial promotion is published by M&G International Investments Ltd. Registered Office: Laurence Pountney Hill, London EC4R 0HH, authorised and regulated by the Financial Services Authority and registered with the CNMV in Spain.

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M&G Japan Smaller Companies Fund

Monthly Fund Review

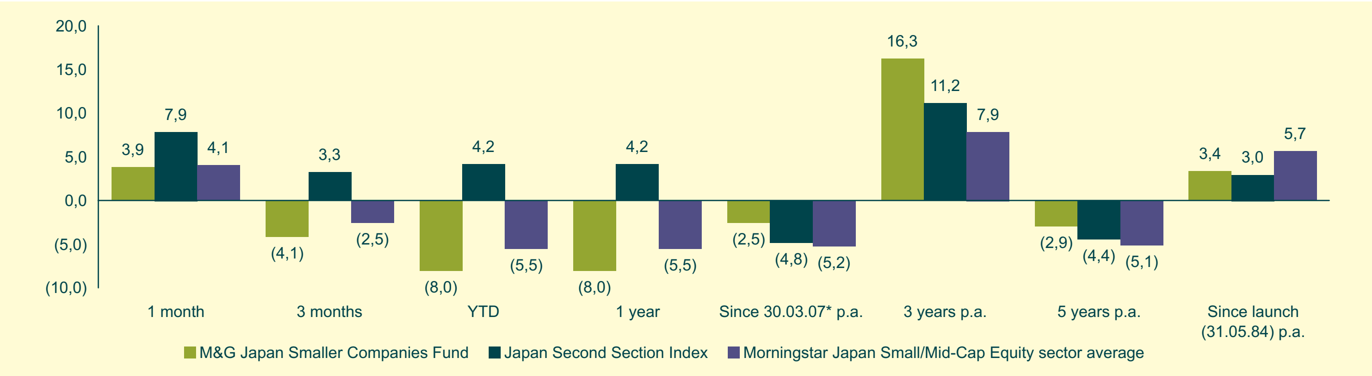
31 December 2011

Fund manager - Max Godwin

Key summary points

- Japanese smaller companies outperformed their larger counterparts in December, as they did for the whole of 2011.
- A holding in pharmaceuticals wholesaler Alfresa, which Max Godwin believes is very attractively valued, continued to perform well for the fund.
- The fund manager initiated a position in Advantest, a manufacturer of semiconductor testing equipment, using the sale proceeds of shares in companies that have performed well and the disposal of electronic components manufacturer Yam

Fund performance (total return, in euro terms, %)



* Max Godwin took over as fund manager on 30 March 2007.

Performance review

Global equities generally posted modest gains in December even though they underperformed less risky assets such as government bonds. Japanese smaller companies outperformed their larger counterparts in December, as they did for the whole of 2011. The Topix Japan Second Section Index was up 5.5 % in December, and 3.8 % for the year, compared with the Topix's rise of 2.2 % for the month and 11.9 % decline for 2011, all in sterling terms. Larger, multinational exporting companies have been hit particularly hard by the downturn in global consumer demand.

General expectations for Japan have been low for some time, as investors link its prospects with concerns over the global economic cycle. In December, industrial production fell short of expectations and manufacturing sentiment weakened as persistent uncertainty over global demand failed to lend any support to Japanese exports. On a more positive note, the survey of planned production from the Ministry of Economy, Trade and Industry was up 4.8 % month on month in December compared with 2.7 % the previous month, as Japan recovers from the March earthquake.

Against this backdrop, the M&G Japan Smaller Companies Fund outperformed the IMA Japanese Smaller Companies sector average, with holdings across various sectors contributing positively.

Positive contributors

A holding in pharmaceuticals wholesaler **Alfresa**, which fund manager Max Godwin believes is very attractively valued, continued to perform well for the fund. The company's nationwide network provides clients with a very wide range of products at good prices, and it continues to add more companies to its network. Investors are beginning to recognise Alfresa's competitive strengths as a market consolidator.

The share price of **Funai Electric**, which manufactures TVs and DVD players, rose on improving profitability and falling costs, the latter being due in part to better inventory control. The company's strong distribution relationships in the US also helped demand.

Elsewhere, better profitability on the back of falling bad debts and administrative costs led to an appreciation of the share price of credit card issuer and transaction-processing company, **Credit Saison**.

Negative contributors

Weaker global demand as well as the supply chain effects of the floods in Thailand earlier in 2011 hurt short-term profitability for a number of Japanese component manufacturers. For example, both auto component manufacturer **Ahrestry** and electronic component maker **Koa** suffered weaker-than-expected order flows as their clients rebuild their own production capacity. This setback was reflected in the companies' falling share prices over the month.

Key changes

Max continued to realise profits from the sale of shares in companies that have performed well, including clothing retailer **Pal**, hardware store chain **Komeri**, software systems

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developer **CAC**, specialist tyre manufacturer **Toyo Tire** and karaoke operator **Daiichikosho**. He exited completely from electronic components manufacturer **Yamaichi Electronics** and recycled the sale proceeds into what he believes are better value stocks.

One of these new ideas is **Advantest**, a manufacturer of semiconductor testing equipment, which has underperformed on investor concerns about the risks associated with its recent acquisition of US-based company, Verigy. More positively, however, both companies' market positioning is complementary in terms of semiconductor types, geographic reach and client base. Max's view is that the low stock valuation more than compensates for the risks associated with the acquisition. Elsewhere, he continued to build a high-conviction position in data processing service company **NSD**.

Key information

Fund manager tenure from	31 March 2007
Fund size (millions)	€39,25
Comparative index	Japan Second Section Index
No. of holdings	47
Portfolio turnover over 12 months	7,2 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB0030939119
Bloomberg	MGJSEAA LN
SEDOL code	3093911

Fund ratings

Overall Morningstar Rating ★★★

Industry breakdown (%)

	Fund	Index	Relative weight
Technology	20,6	7,2	13,4
Financials	14,3	5,5	8,8
Telecommunications	0,0	0,1	-0,1
Oil & gas	0,0	0,4	-0,4
Consumer goods	23,3	24,5	-1,2
Utilities	0,0	2,0	-2,0
Healthcare	2,7	4,8	-2,1
Basic materials	5,3	8,0	-2,7
Consumer services	13,7	19,4	-5,7
Industrials	20,0	28,2	-8,2
Cash	0,1	0,0	0,1

Top holdings (%)

	Fund	Index	Relative weight
Credit Saison	3,0	0,0	3,0
Kaneka	3,0	0,0	3,0
CAC	2,8	0,0	2,8
Fuji Media	2,7	0,0	2,7
Nok	2,7	0,0	2,7
Alfresa	2,7	0,0	2,7
Zuken	2,7	0,0	2,7
Onward	2,6	0,0	2,6
PAL	2,6	0,0	2,6
Geo	2,6	0,0	2,6

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

M&G North American Value Fund

Monthly Fund Review

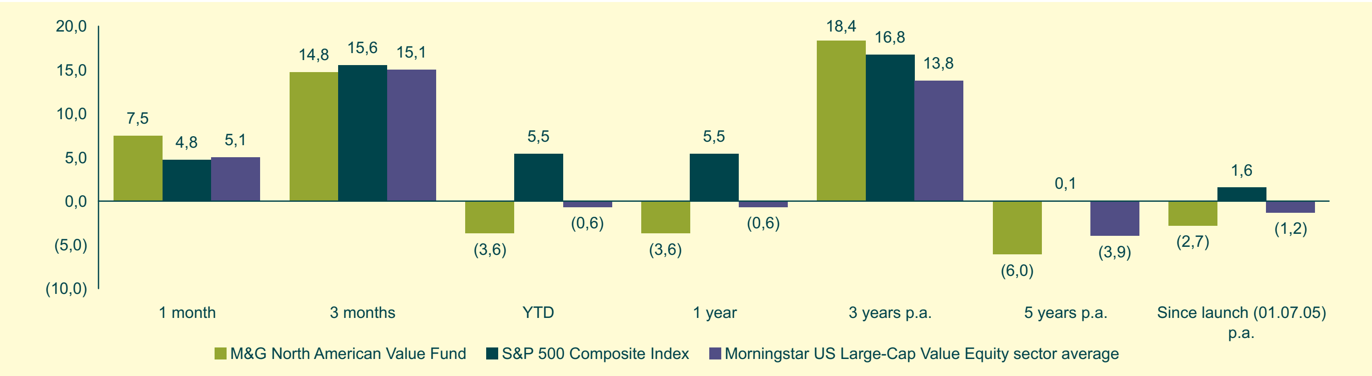
31 December 2011

Fund manager - Richard Brody

Key summary points

- The US economy is expanding moderately and labour market conditions are improving though unemployment levels remain high and this is impeding stronger progress
- The fund's relative performance was held back by poor stock selection, especially in the energy and industrials sectors
- Positive sector allocation in IT and financials offset negative performance in consumer staples and utilities

Fund performance (total return, in euro terms, %)



Performance review

The S&P Composite Index increased in December against a backdrop of light trading volume in US markets given the holiday season and wrap-up for the year. US economic data showed an improvement: the trend in weekly initial jobless claims was positive while consumer confidence picked up in December. Even though the level of unemployment dipped, investors are still disappointed with the persistently high rate. News from the eurozone continued to unsettle investors and the area will probably be a key risk factor in 2012.

Those sectors that are perceived to be less risky, such as telecommunication services, utilities and healthcare, were again among the top performers for the month while materials, energy and information technology were the weakest areas.

The Federal Open Market Committee made few changes to its December statement. The committee acknowledges that the economy has been expanding moderately and it will maintain several of its recently implemented programmes, such as the maturity extension of its securities holdings, its plan to purchase up to $400 billion of Treasury securities by the end of June 2012 and it will keep the Federal Funds rate at its current level (0-0.25 %) until at least mid-2013.

Value clearly outperformed growth in December although value lagged significantly over the year. Meanwhile, smaller stocks modestly outperformed large names both in December and over the year.

Volatility levels, as measured by the CBOE equity options Volatility Index (VIX), continued to drift down during the month of December although it rose early in the month because of continued concerns about the eurozone.

The fund's apparent outperformance was due to a timing issue. The index is priced at the end of the day while the fund is priced at 12 noon. With highly volatile price movements, particularly at the beginning of the review period, this timing difference had a significant impact on overall return calculations.

The fund's underlying performance over the month was held back by unfavourable stock selection, particularly in the energy and industrial sectors. Positive sector allocation in information technology and financials offset weaker performance in consumer staples and utilities.

Positive contributors

Contributors to performance included positions in **Travelers Companies** and **JPMorgan Chase**. Travelers Companies provides commercial and personal property and casualty insurance products and services to businesses, governments and individuals. The gain in the firm's share price over the month was not due to any stock-specific news.

Meanwhile, the fund manager believes that financial services provider JPMorgan Chase is one of the strongest and best-managed banks in the US. It has a diversified business mix including retail and commercial banking, credit cards and investment banking and is attractively valued.

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Not holding computer firm Oracle, which was weak over the month, boosted relative performance.

Negative contributors

Less positively, performance was held back by positions in **Apache** and **Hartford Financial Services**. Apache is involved in exploration, development and production of natural gas, crude oil and natural gas liquids. The company's share price suffered during the month because of a significant drop in natural gas spot prices as the weather was warmer than had been expected throughout much of the US. The company was also hurt by continued uncertainty regarding the political situation in Egypt. Nevertheless, the fund manager believes that these developments are more than reflected in the firm's valuation and he remains convinced by the company's longer term prospects.

With regards to Hartford Financial Services, sentiment was subdued following an investor meeting that was deemed to be long on strategy but short on specifics. Investors were unhappy with additional workers compensation charges as well as a lack of guidance on long-term return-on-equity and revenue growth. Despite this recent weakness, the fund manager continues to find the company's fundamentals compelling.

Elsewhere, performance was held back by not holding a stake in General Electric, which generated healthy gains during December.

Key changes

There were no complete sales or purchases of new names during the month. However, regular rebalancing took place to maintain target weights in the portfolio.

Key information

Fund manager tenure from	1 July 2005
Fund size (millions)	€129,50
Comparative index	S&P 500 Composite Index
No. of holdings	52
Nominated OEIC Share Class	Euro Class A
ISIN number	GB00B0BHJH99
Bloomberg	MGNAEAA LN
SEDOL code	B0BHJH9

Fund ratings

Overall Morningstar Rating ★★

Industry breakdown (%)

	Fund	Index	Relative weight
Financials	24,3	13,6	10,7
Energy	13,6	12,3	1,3
Materials	3,8	3,5	0,3
Consumer discretionary	10,8	10,7	0,1
Telecommunications	3,0	3,0	0,0
Industrials	10,4	10,7	-0,3
Healthcare	11,0	11,9	-0,9
Utilities	2,0	3,9	-1,9
Information technology	14,9	19,0	-4,1
Consumer staples	6,1	11,5	-5,4

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Large	39,2	50,2	-11,0
Medium/Large	27,6	30,3	-2,7
Medium	25,6	17,1	8,5
Medium/Small	6,6	2,4	4,2
Small	1,0	0,0	1,0

Top holdings (%)

	Fund	Index	Relative weight
Chevron	2,6	1,9	0,7
Lockheed Martin	2,6	0,2	2,4
Wells Fargo	2,6	1,3	1,3
Lincoln National	2,5	0,1	2,4
JP Morgan	2,5	1,1	1,4
Hartford Financial Services	2,5	0,1	2,4
Morgan Stanley	2,5	0,2	2,3
Comcast	2,5	0,6	1,9
Intel	2,5	1,1	1,4
Apache	2,5	0,3	2,2

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

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M&G Optimal Income Fund

Monthly Fund Review

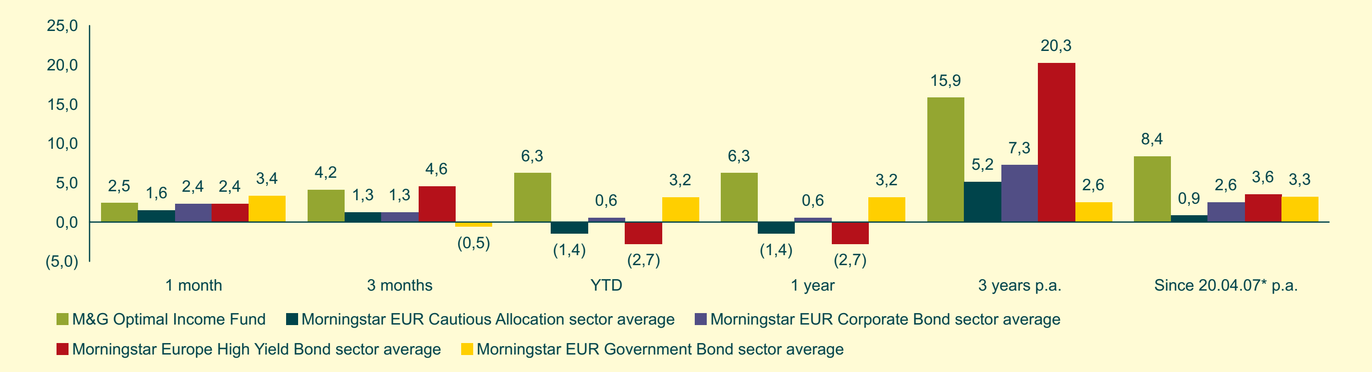
31 December 2011

Fund manager - Richard Woolnough

Key summary points

- Improved sentiment in the first part of the month led to higher demand for riskier assets, before renewed eurozone concerns led to a rally in so-called 'safe haven' government bonds.
- The M&G Optimal Income Fund delivered strong absolute returns in December, and ranks top quartile for the one-month, three-month, six-month and one-year periods.

Fund performance (total return, in euro terms, %)



Performance review

Investor risk appetite rose in the first part of December as eurozone leaders reached a new agreement on stricter regulation and riskier assets rebounded accordingly. However, safe haven government bonds rallied later in the month when fresh doubts surfaced over the deal's likely success. The fund's relatively large exposure to high yield bonds was the main reason for its outperformance over the month.

Bond markets' mixed fortunes in December were driven mainly by investors' hopes and fears over the eurozone debt crisis. Eurozone leaders agreed a deal at a summit on December 8 to introduce stricter fiscal regulations, which they hoped will prevent a repeat of the current debt troubles. However, British prime minister David Cameron refused to sign up the UK to the deal, having failed to gain an exemption for the City of London from tighter financial services rules.

Risk appetite then rose further following the European Central Bank's (ECB's) decision to lend European banks almost €500 billion to lower Spanish and Italian government bond yields. As a result, eurozone government bonds experienced a huge rally, with Spanish and Italian sovereign bonds returning more than 7% and 5% over the month respectively.

In the latter half of the month, however, the rebound in riskier assets dampened as market participants started to question the impact of the new eurozone deal, and consequently, switched into perceived safe haven assets. As a result, prices for gilts and bunds rose.

Key changes

Few significant changes were made to the portfolio in December.

The slight improvement in risk appetite during the month encouraged a number of corporates to issue new bonds. Fund manager Richard Woolnough participated in a 15-year sterling-denominated new issue from US biotechnology company Amgen, which was one of the fund's largest new positions of the year.

Elsewhere, Richard increased the fund's exposure to short-dated index-linked gilts in December, because he believes that breakeven rates continue to look too low. This had the effect of reducing the fund's duration from 4.2 years to 3.9 years. In addition, he started to sell 10-year gilt futures, as he believes that 10-year gilt yields at around 2% don't look like compelling value. He also completely closed a position in 10-year bunds.

Richard remains positive on the outlook for high yield bonds, and he took advantage of the particularly attractive yields to sell protection on the Markit CDX North American High Yield Index during the month.

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Key information

Fund manager tenure from	8 December 2006
Fund size (millions)	€6.869,70
Yield to maturity*	4,08 %
No. of issuers	368
Modified duration (years)	3,9
Average credit rating (as at 30.11.11)	BBB
Nominated OEIC Share Class	Euro Class A-H
ISIN number	GB00B1VMCY93
Bloomberg	MGOIAEA LN
SEDOL code	B1VMCY9

* Net of fund expenses.

Fund ratings

Overall Morningstar Rating	★★★★★
S&P Fund Management Rating	AAA/V4

Bond markets, total return (%)

	December 11
US Treasuries	0,9
UK government bonds	1,6
German government bonds	3,0
Sterling investment grade corporate bonds	2,3
Euro investment grade corporate bonds	2,4
Euro high yield corporate bonds	3,0

Source: Merrill Lynch indices

Asset breakdown (%)

	Physical	CDS short	CDS long	Net
Government bonds	18,9	-3,2	0,0	15,7
Investment grade bonds	44,0	-3,5	0,9	41,4
High yield bonds	26,4	0,0	19,0	45,4
Equities	8,2	0,0	0,0	8,2
Loans	0,0	0,0	0,0	0,0
Alternatives	0,0	0,0	0,0	0,0
Other	0,9	0,0	0,2	1,1
Cash	1,7	0,0	0,0	1,7

Geographical breakdown (%)

	Fund
UK	46,0
US	14,7
Netherlands	6,8
France	6,7
Germany	6,4
Luxembourg	2,8
Jersey	2,3
Cayman Islands	1,7
Other	10,9
Cash	1,7

Currency exposure

The euro hedged share classes are hedged in such a way as to ensure that investors in this share class receive the equivalent return to investors in the base share class of the fund, denominated in pound sterling. This means that investors will not be affected by movements of sterling versus the euro.

Credit rating breakdown (%)

	Physical	CDS short	CDS long	Net
AAA	19,6	0,0	0,0	19,6
AA	1,3	0,0	0,1	1,4
A	15,3	-3,0	0,4	12,7
BBB	26,3	-2,7	0,4	24,0
BB	16,7	-1,1	0,3	15,9
B	9,0	0,0	18,7	27,7
CCC	0,9	0,0	0,0	0,9
CC	0,0	0,0	0,0	0,0
C	0,1	0,0	0,0	0,1
D	0,0	0,0	0,0	0,0
No rating	9,1	0,0	0,2	9,3
Cash	1,7	0,0	0,0	1,7

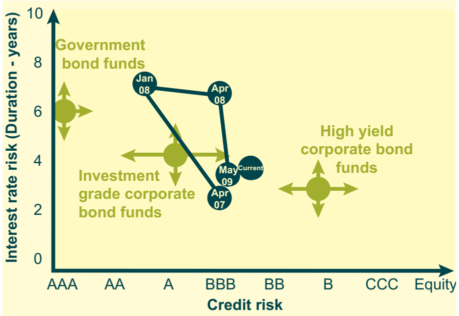
Futures positions

	Fund
Long	3,3 %
Short	-21,5 %
Duration impact	-0,6 years

Top issuers (%)

	Fund
BAA	1,9
Imperial Tobacco	1,7
Pernod Ricard	1,3
HSBC	1,3
Virgin Media Finance	1,3
UPC	1,0
BG Energy	0,9
EDF Energy	0,9
Granite Master Issuer	0,9
Fresenius Medical Care	0,9

Portfolio positioning



Moved shorter duration following government bond rally that left yields at historical lows.

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class AH shares, gross income reinvested, bid to bid basis.

M&G Pan European Fund

Monthly Fund Review

31 December 2011

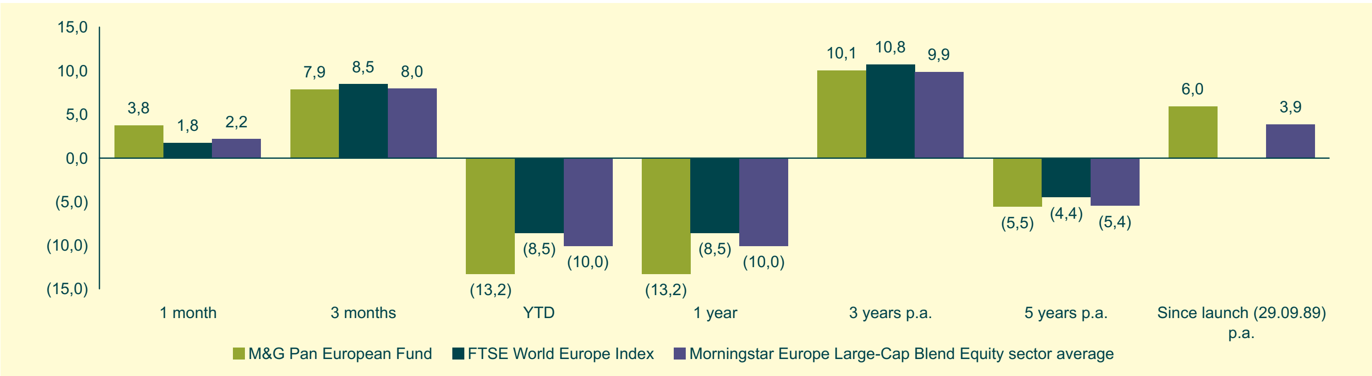
M&G INVESTMENTS

Fund managers - Greg Aldridge & Charles Anniss

Key summary points

- In another volatile month for European equities, the fund outperformed both the benchmark and the sector, with defensive holdings providing the bedrock for stronger returns.
- An overweight position in Germany, and specifically holdings in tech companies Software AG and Sap AG, negatively affected fund performance.
- The fund managers added to the high returns profile of the fund, buying specialist chemical company AZ Electronics at an attractive valuation.

Fund performance (total return, in euro terms, %)



Performance review

December ended positively for European equity markets, with the FTSE World Europe Index finishing up by 1.8 % in euro terms. The month was volatile, however, as the now familiar story of eurozone contagion fears, particularly concerning Spain and Italy, continued to affect investor sentiment.

Markets were further swayed by the EU leaders summit near the beginning of the month, which failed to come up with a definitive solution to the eurozone crisis. In addition, near the end of the month, the European Central Bank announced further liquidity measures to support banks and the economy. This included the introduction of a long-term refinancing operation (LTRO) to provide cheap loans to banks, which proved popular within the industry.

Against this backdrop the fund outperformed both the sector and the benchmark, receiving an additional boost from November's final day rally. As mentioned last month, fund performance is calculated at mid-day, meaning the strong afternoon stock market rally on the last day of the period was not reflected in November's figures, whereas it was reflected in the benchmark index. This reversed in December.

Positive contributors

While defensive stocks, including Anglo-Dutch food and consumer goods maker **Unilever**, Swiss pharmaceutical firm **Roche**and Danish food ingredients maker **Christian Hansen**performed well, the largest positive contributor during the month was online gaming company **Bwin.party Digital Entertainment**. In late December, the US Department of Justice announced that its previous total ban on online gambling would only apply to sports betting. Bwin's share price appreciated as investors anticipated that the company could benefit from a potential opening of the US market.

Another positive contributor, and one of the fund's best performers of the year, was aircraft manufacturer **European Aeronautic Defence & Space**(EADS). The company finished 2011 on a high as investor sentiment in the firm remained very positive, helped by a strengthening dollar and recognition of the value of a strong product range and a full order book. In addition, the share price of global security service provider **G4S**continued to recover, following the company's decision in November to drop widely criticised takeover plans for Danish cleaning services business ISS.

Negative contributors

Much of the drag on the fund's performance stemmed from its overweight position in Germany, where the FTSE Germany index closed the month down by 3.12 % in euro terms. The automotive sector fared particularly poorly, and the fund's holdings in car producer **BMW**and global car distributor **Inchcape**both underperformed.

The biggest negative contributor was German business software company **Software AG**, which along with software maker **SAP AG**, suffered heavy losses following an announcement from American tech firm Oracle. The company reported an unexpected slowdown in sales growth in the latest quarter, and earnings which had fallen short of forecasts, causing a general technology sell-

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off among investors. Other cyclical stocks, including clothing manufacturer **Hugo Boss**, also underperformed over the month.

Key changes

The fund managers opened a new position in **AZ Electronics**, a highly specialised producer of chemicals for use in the manufacturing of semiconductors, an area positioned for strong, long-term growth. Greg and Charles have been following the company for some time, and a placing in December provided the liquidity necessary to buy the stock. AZ is one of the highest returning specialist chemical companies in the world, with a very strong market position and complex operations that are very difficult to replicate. The purchase is in line with the fund managers' continuing strategy of increasing the high returns profile of the fund, through stocks available at attractive valuations.

Key information

Fund manager tenure from	21 January 2011
Fund size (millions)	€190,49
Comparative index	MSCI Europe
No. of holdings	56
Portfolio turnover over 12 months	146,8 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB0030927924
Bloomberg	MGEBEAA LN
SEDOL code	3092792

Fund ratings

Overall Morningstar Rating	★★★
S&P Fund Management Rating	A

Industry breakdown (%)

	Fund	Index	Relative weight
Industrials	20,8	11,4	9,4
Technology	9,6	2,5	7,1
Consumer services	9,2	6,8	2,4
Healthcare	10,6	9,5	1,1
Consumer goods	18,2	17,9	0,3
Basic materials	8,0	9,2	-1,2
Oil & gas	9,9	11,5	-1,6
Telecommunications	0,0	6,4	-6,4
Utilities	0,0	6,7	-6,7
Financials	11,2	18,0	-6,8
Cash	2,4	0,0	2,4

Geographical breakdown (%)

	Fund	Index	Relative weight
UK	24,9	30,1	-5,2
Germany	18,8	11,7	7,1
Switzerland	18,4	11,4	7,0
France	11,5	15,8	-4,3
Netherlands	4,5	3,7	0,8
Austria	3,6	0,6	3,0
Spain	3,5	5,8	-2,3
Sweden	3,4	4,6	-1,2
Other	8,8	16,2	-7,4
Cash	2,4	0,0	2,4

Capitalisation breakdown (%)

	Fund	Index	Relative weight
>€ 50 billion	23,2	27,4	-4,2
€25 - €50 billion	9,9	24,0	-14,1
€5 - €25 billion	28,8	35,6	-6,8
€2.5 - € 5 billion	7,8	9,8	-2,0
€1 - € 2.5 billion	24,6	3,0	21,5
<€ 1 billion	3,2	0,2	3,0
Cash	2,4	0,0	2,4

Top holdings (%)

	Fund	Index	Relative weight
Nestle	3,3	2,5	0,8
Unilever	3,1	0,7	2,4
Zurich Financial Services	3,0	0,4	2,6
Total	2,6	1,4	1,2
GlaxoSmithKline	2,6	1,4	1,2
HSBC	2,6	1,7	0,9
Roche	2,6	1,5	1,1
Ericsson	2,5	0,4	2,1
Novartis	2,5	1,8	0,7
EADS	2,3	0,3	2,0

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

M&G UK Growth Fund

Monthly Fund Review

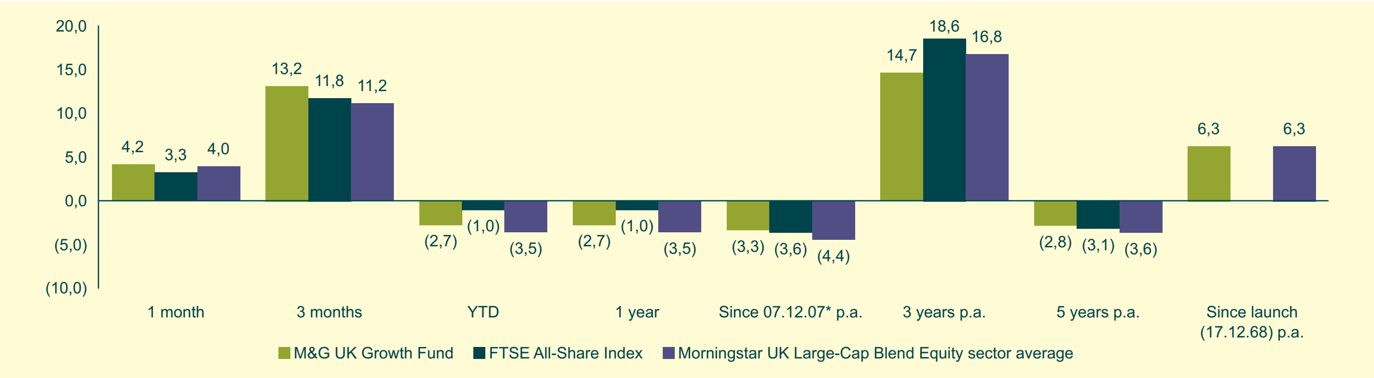
31 December 2011

Fund manager - Garfield Kiff

Key summary points

- The fund outperformed the peer group and the FTSE All-Share Index in December, in another month dominated by the eurozone crisis.
- Performance benefited from a positive contribution from stock selection within larger companies, and from underweighting the financials and mining sectors.
- Insurer RSA and Spirent, a technology company, were added to the fund in December, taking advantage of the market's volatility. IT services business Logica was sold, following disappointing performance.

Fund performance (total return, in euro terms, %)



* Garfield Kiff took over as fund manager on 7 December 2007.

Performance review

The M&G UK Growth Fund outperformed the peer group and the FTSE All-Share Index in December. However, performance against the index was flattered by timing differences at both ends of the month between the fund's noon pricing point and market close.

December's equity markets produced their best week in two years when they rallied early on amidst optimism about the latest European summit. However, sentiment turned negative when EU leaders failed to produce concrete proposals to deal with the immediate debt crisis in the eurozone. Concerns about the size of European Central Bank lending to banks and Standard & Poor's placing of 15 of the 17 eurozone members on negative credit watch, including France and Germany, added to investors' nervousness. Towards the month end, some relief was provided by better-than-expected data releases in the US, including a further fall in unemployment.

In terms of sectors, the month's outcome was mixed with some defensive areas outperforming, such as tobacco, food producers, life insurance, telecommunications and healthcare, while utilities and food retailers underperformed. On the other hand, more cyclical areas such as construction, general industrials and energy also outperformed, while miners and banks lagged the market.

Positive contributors

Value was added in December as a result of a positive contribution from stock selection within the larger companies category in sectors such as healthcare, telecommunications and food producers. In addition, financials (particularly banks) and miners, two big influences on the market, have been negative in 2011 and December was no exception, so the fund's underweight stance in these two sectors served it well.

At a stock selection level, there were positive contributions from holding fund manager **Aberdeen Asset Management**, **Smith & Nephew** and **GlaxoSmithKline** in the healthcare sector, **Tate & Lyle**amongst the food producers and contract catering and support services provider **Compass**.

Aberdeen Asset Management, which benefits from a very strong Asian equity franchise, produced decent results at the end of November and, having repaired its balance sheet recently, announced a substantial dividend increase. Similarly, Compass, delivered good results, raised its dividend and indicated it would be returning cash to shareholders via a share buy-back for the first time since 2008.

Negative contributors

Overall, stock selection within the fund detracted value in December. This was primarily due to the portfolio's exposure to the support services sector, which came under some profit-taking pressure towards the year end, affecting holdings in recruitment firm **Hays**, waste management group **Shanks** and **Mitie**, which provides outsourcing services to owners of industrial and commercial property.

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Additionally, Hays has suffered from concerns about the economic background with its UK operation only just breaking even. Nevertheless, the company has very profitable arms in Germany and Australia, and the fund manager continues to believe in the company's long-term potential.

In the energy sector, the portfolio's underweight in **Royal Dutch Shell** was not helpful as the share price has been very strong recently, benefiting from the high oil price. Also, investors have been attracted by the defensive merits of Shell's dividend yield in volatile markets.

Key changes

Two new holdings were added to the portfolio in December, non-life insurer **RSA** and technology company **Spirent**. In addition to the UK, the Nordic region is very profitable for RSA and it has a fast-growing emerging market business. The insurer's shares are attractively valued currently, and offer a 10 % yield with a record of growing the dividend over the past five years.

Spirent, which provides testing services to mobile phone and IT network providers, is benefiting from global trends towards becoming more connected and providers' need to ensure their equipment is working properly. Spirent's share price had been weak, but it was boosted recently when the company produced a buoyant third quarter trading statement on the back of strong demand for mobile internet and cloud computing services.

Similar to November, advantage was taken of the market's volatility in December to add to the fund's holdings in **Yule Catto** and **Elementis**

A small number of holdings were sold or reduced during the month, raising cash levels in a defensive move. Principal amongst these was IT services company **Logica**, which exited the portfolio following disappointing performance as demand for its services has weakened in the slowdown.

Key information

Fund manager tenure from	7 December 2007
Fund size (millions)	€622,24
Comparative index	FTSE All-Share Index
No. of holdings	56
Portfolio turnover over 12 months	76,0 %
Nominated OEIC Share Class	Euro Class A
ISIN number	GB00B23X9910
Bloomberg	MGUKGEA LN
SEDOL code	B23X991

Fund ratings

Overall Morningstar Rating	★★★
S&P Fund Management Rating	A

Industry breakdown (%)

	Fund	Index	Relative weight
Industrials	13,0	7,5	5,5
Technology	4,6	1,4	3,2
Consumer Services	11,7	9,4	2,3
Health Care	9,1	7,5	1,6
Oil & Gas	18,8	17,8	1,0
Telecommunications	7,0	6,1	0,9
Basic Materials	10,6	13,9	-3,3
Financials	14,8	19,0	-4,2
Utilities	0,0	4,3	-4,3
Consumer Goods	7,1	13,2	-6,1
Cash	3,5	0,0	3,5

Capitalisation breakdown (%)

	Fund	Index	Relative weight
Large	77,8	85,3	-7,5
Medium	18,3	12,5	5,8
Small	0,3	2,2	-1,9
Cash	3,5	0,0	3,5

Top holdings (%)

	Fund	Index	Relative weight
BP	6,3	4,8	1,5
GlaxoSmithKline	6,3	4,1	2,2
Vodafone	6,2	5,0	1,2
Royal Dutch Shell	6,1	8,4	-2,3
BAT	4,8	3,3	1,5
HSBC	4,1	4,8	-0,7
Rio Tinto	3,8	2,5	1,3
BG	3,6	2,5	1,1
Tesco	3,0	1,8	1,2
Anglo American	2,5	1,7	0,8

Cash may be held on deposit and/or in the Northern Trust Cash Funds, a range of collective investment schemes.

Sources of performance data: Morningstar, Inc., as at 31 December 2011, euro class A shares, net income reinvested, bid to bid basis.

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