

Issued by M&G Securities Limited 23 July 2015



Prospectus

M&G Dynamic Allocation Fund

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This document constitutes the prospectus for the M&G Dynamic Allocation Fund (the 'Fund') which has been prepared in accordance with the Open-Ended Investment Companies Regulations 2001 and the rules contained in the Collective Investment Schemes Sourcebook published by the FCA as part of its Handbook of Rules and Guidance.

The prospectus is dated and is valid as at 23 July 2015.

Copies of this prospectus have been sent to the Financial Conduct Authority and National Westminster Bank plc as Depositary.

The prospectus is based on information, law and practice at the date hereof but where it refers to any statutory provision or regulation this includes any modification or re-enactment that has been made. The Fund is not bound by any out of date prospectus when it has issued a new prospectus and potential investors should check that they have the most recently published prospectus.

M&G Securities Limited, the Authorised Corporate Director of the Fund, is the person responsible for the information contained in this prospectus. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained herein does not contain any untrue or misleading statement or omit any matters required by the Regulations to be included in it. M&G Securities Limited accepts responsibility accordingly. No person has been authorised by the Fund to give any information or to make any representations in connection with the offering of Shares other than those contained in the prospectus and, if given or made, such information or representations must not be relied on as having been made by the Fund. The delivery of this prospectus (whether or not accompanied by any reports) or the issue of Shares shall not, under any circumstances, create any implication that the affairs of the Fund have not changed since the date hereof.

The distribution of this prospectus and the offering of Shares in certain jurisdictions may be restricted. Persons into whose possession this prospectus comes are required by the Fund to inform themselves about and to observe any such restrictions. This prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Warning: the contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to this offer. If you are in any doubt about the contents of this document you should obtain independent professional advice. In particular, no interest in the Company will be issued to any person other than the person to whom this document is addressed. In addition, (a) no offer or invitation to subscribe for Shares in the Company may be made to the public in Hong Kong; and (b) this document has not been approved by the Securities and Futures Commission in Hong Kong or any other regulatory authority in Hong Kong and accordingly interests in the Company may not be offered or sold in Hong Kong by means of this document, other than in circumstances which do not constitute an offer to the public for the purposes of the Hong Kong Companies Ordinance and the Hong Kong Securities and Futures Ordinance, as amended from time to time.

Shares in the Fund are not listed on any investment exchange.

Potential investors should not treat the contents of this prospectus as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the acquisition, holding or disposal of Shares.

The provisions of the Instrument of Incorporation are binding on each of its Shareholders (who are taken to have notice of them).

This prospectus has been approved for the purpose of section 21(1) of the Financial Services and Markets Act 2000 by M&G Securities Limited.

The Depositary is not a person responsible for the information contained in this prospectus and accordingly does not accept any responsibility therefore under the Regulations or otherwise.

If you are in any doubt about the contents of this prospectus you should consult your professional adviser.

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Customer Helpline: 0800 390 390

M&G International Investors should refer to Appendix 1

Definitions

M&G Dynamic Allocation Fund

Accumulation Share: a Share in the Fund in respect of which income allocated thereto is credited periodically to capital pursuant to the Regulations;

ACD: M&G Securities Limited, the Authorised Corporate Director of the Fund;

ACD Agreement: The agreement entered into between the Fund and the ACD authorising the ACD to manage the affairs of the Fund;

Approved Bank in relation to a bank account opened by the Fund:

- (a) if the account is opened at a branch in the United Kingdom;
 - (i) the Bank of England; or
 - (ii) the central bank of a member state of the OECD; or
 - (iii) a bank or a building society; or
 - (iv) a bank which is supervised by the central bank or other banking regulator of a member state of the OECD; or
- (b) if the account is opened elsewhere:
 - (i) a bank in (a); or
 - (ii) a credit institution established in an EEA State other than in the United Kingdom and duly authorised by the relevant home state regulator; or
 - (iii) a bank which is regulated in the Isle of Man or the Channel Islands; or
- (c) a bank supervised by the South African Reserve Bank
- (d) any other bank that:
 - (i) is subject to regulation by a national banking regulator;
 - (ii) is required to provide audited accounts;
 - (iii) has minimum net assets of £5 million (or its equivalent in any other currency at the relevant time) and has a surplus revenue over expenditure for the last two financial years; and
 - (iv) has an annual audit report which is not materially qualified.

Associate: an associate in accordance with the FCA Handbook of Rules and Guidance;

Base Currency: the base currency of the Fund is the Euro;

BCD Credit Institution: a credit institution under the Banking Consolidation Directive;

Class or Classes: in relation to Shares, means (according to the context) all of the Shares related to the Fund or a particular class or classes of Share related to the Fund;

COLL: refers to the appropriate chapter or rule in the COLL Sourcebook issued by the FCA;

COLL Sourcebook: The Collective Investment Schemes Sourcebook issued by the FCA as amended or re-enacted from time to time;

Client Account: A bank account held by us in accordance with the FCA Handbook of Rules and Guidance;

Dealing Day: Monday to Friday except for bank holidays in England and Wales and other days at the ACD's discretion;

Depository: National Westminster Bank plc, the depository of the Fund;

Efficient Portfolio Management: means the use of techniques and instruments which relate to transferable securities and approved money-market instruments and which fulfil the following criteria:

- (a) they are economically appropriate in that they are realised in a cost effective way; and
- (b) they are entered into for one or more of the following specific aims:
 - reduction of risk;
 - reduction of cost;
 - generation of additional capital or income for the scheme with a risk level which is consistent with the risk profile of the scheme and the risk diversification rules laid down in COLL

Eligible Institution: one of certain eligible institutions being a BCD credit institution authorised by its home state regulator or an Investment Firm authorised by its home state regulator as defined in the glossary of definitions in the FCA Handbook;

Fraction: a smaller denomination Share (on the basis that one thousand smaller denomination Shares make one larger denomination Share);

FCA: the Financial Conduct Authority;

Fund: M&G Dynamic Allocation Fund;

Income Share: a Share in the Fund in respect of which income allocated thereto is distributed periodically to the holders thereof pursuant to the Regulations;

Instrument of Incorporation: the instrument of incorporation of the Fund as amended from time to time;

Investment Manager: M&G Investment Management Limited;

Investment Firm: an investment firm that provides investment services as defined in the glossary of definitions in the FCA handbook;

M&G International Investors: Investors in Share Classes whose holdings are registered through M&G International Investments Nominees Limited.

Member State: those countries which are members of the European Union or the European Economic Area at any given time;

Net Asset Value or NAV: the value of the Scheme Property of the Fund less the liabilities of the Fund as calculated in accordance with the Fund's Instrument of Incorporation;

OTC (over the counter) derivative: a derivative instrument entered into with an approved counterparty outside of an exchange.

the Regulations: the Open-Ended Investment Companies Regulations 2001 and the rules contained in the COLL Sourcebook;

SDRT: Stamp Duty Reserve Tax;

Scheme Property: the property of the Fund to be given to the Depository for safekeeping, as required by the Regulations;

Share or Shares: a share or shares in the Fund (including larger denomination Shares and Fractions);

Shareholder: a holder of a registered Share in the Fund;

XD date: the XD (or Ex-Dividend) date is the date on which the income is removed from the price of an Income Share pending the payment of a distribution.

Operating Structure and Details

1 The Fund

- 1.1 M&G Dynamic Allocation Fund is an Open-Ended Investment Company with variable capital, incorporated in England and Wales under registered number IC 799 and authorised by the Financial Conduct Authority with effect from 22 October 2009. The Fund has been established for unlimited duration.
- 1.2 The Fund has been certified by the FCA as complying with the conditions necessary for it to enjoy the rights conferred by the EC Directive on undertakings for collective investment in transferable securities ('UCITS').
- 1.3 The Head Office of the Fund is at Laurence Pountney Hill, London, EC4R 0HH and is also the address of the place in the United Kingdom for service on the Fund of notices or other documents required or authorised to be served on it. The Fund does not have any direct interest in immovable property or any tangible moveable property.
- 1.4 The Base Currency of the Fund is the Euro.
- 1.5 The maximum share capital of the Fund is currently £250,000,000,000 and the minimum is £100. Shares in the Fund have no par value and therefore the share capital of the Fund at all times equals the Fund's current Net Asset Value.
- 1.6 Shareholders in the Fund are not liable for the debts of the Fund.

2 Fund structure

- 2.1 The Fund is a UCITS scheme within the meaning of the Regulations.
- 2.2 The investment objective, investment policy and other details of the Fund are set out in Appendix 1. The investment and borrowing powers under the COLL Sourcebook applicable to the Fund are set out in Appendix 2 and the eligible markets on which the Fund can invest are set out in Appendix 3.

3 Classes of Share

- 3.1 Several Share Classes may be issued in respect of the Fund. The Instrument of Incorporation allows gross Income and gross Accumulation Shares to be issued as well as net Income and net Accumulation Shares. Net Shares are Shares in respect of which income allocated to them is distributed periodically to the relevant Shareholders (in the case of income Shares) or credited periodically to capital (in the case of Accumulation Shares), in either case in accordance with relevant tax law net of any tax deducted or accounted for by the Fund. Gross Shares are Income or Accumulation Shares where, in accordance with relevant tax law, distribution or allocation of income is made without any UK income tax being deducted or accounted for by the Fund.

The Share Classes in issue are shown in Appendix 1.
- 3.2 The Fund may make available such further Classes of Share as the ACD may decide.
- 3.3 Holders of Income Shares are entitled to be paid the income attributed to such Shares on the relevant interim and annual allocation dates net of tax, where appropriate. The price of such Shares immediately after the end of an accounting period reduces to reflect these allocations of income.
- 3.4 Holders of Accumulation Shares are not entitled to be paid the income attributable to such Shares but that income is automatically transferred to (and retained as part of) the capital assets of the Fund immediately after the relevant interim and / or annual accounting dates. The price of such Shares continues to reflect this retention of the income entitlement, which will be transferred after deduction of applicable tax, where appropriate.

- 3.5 Where the Fund has different Classes of Share available, each Class may attract different charges and expenses and so monies may be deducted from Classes in unequal proportions. For this and like reasons, the proportionate interests of the Classes within the Fund will vary from time to time.
- 3.6 Holders of Income Shares may convert all or some of their Shares to Accumulation Shares of the same Class, and holders of Accumulation Shares may convert all or some of their Shares to Income Shares of the same Class. Details of this conversion facility are set out in section 15 of this document.
- 3.7 Shareholders should note that the Fund issues hedged Share Classes and may choose to operate more or different hedged Share Classes in the future.

All costs associated with operating hedging transactions for the hedged Share Classes will be borne by Shareholders in those Share Classes. Share Class hedging activity does not form part of the investment strategy of the Fund, but is designed to reduce exchange rate fluctuations between the currency of the hedged Share Class and the Base Currency of the Fund. The hedged Share Classes in issue are designed, as far as possible, to replicate the performance of the Base Currency Share Class. Forward currency contracts, or other instruments that may achieve a similar result, will be used to carry out these hedging transactions on a total return (capital and revenue) basis.

The hedging position will be reviewed each day and adjusted when there is a material change, for example, to the dealing volume of Shares in hedged Share Classes and/or following asset allocation decisions by the Investment Manager.

4 Management and administration

4.1 Authorised Corporate Director

- 4.1.1 The Authorised Corporate Director of the Fund is M&G Securities Limited which is a private company limited by shares incorporated in England and Wales under the Companies Acts 1862 to 1900 on 12 November 1906. The ultimate holding company of the ACD is Prudential plc, a company incorporated in England and Wales.

4.1.2 Registered office and head office:

Laurence Pountney Hill, London, EC4R 0HH.

Share capital:

Authorised	£100,000
Issued and paid-up	£100,000

Directors:

Mr Gary Cotton,
Mr Philip Jelfs,
Mr Martin Lewis,
Mr Graham MacDowall,
Mr Laurence Mumford,
Mr William Nott.

All of the directors have significant business activities which are not connected to those of the ACD but of other companies within the M&G Group.

- 4.1.3 The ACD is responsible for managing and administering the Fund's affairs in compliance with the Regulations. Other collective investment schemes for which the ACD has these responsibilities are set out in Appendix 5.

4.2 Terms of appointment

- 4.2.1 The ACD Agreement provides that the appointment of the ACD is for an initial period of three years and thereafter may be terminated upon 12 months written notice by either the ACD or the Fund although in certain circumstances the agreement may be terminated forthwith by notice in writing by the ACD to the Fund or the Depositary, or by the Depositary or the Fund to the ACD. The ACD cannot be replaced until the FCA has approved the appointment of another director in place of the retiring ACD. The ACD Agreement may be inspected at the offices of the ACD during normal business hours by any Shareholder or any Shareholder's duly authorised agent. Alternatively, a copy of the ACD Agreement may be sent to any Shareholder at his request within 10 days of the Fund's receipt of such request.
- 4.2.2 The ACD is entitled to its pro rata fees and expenses to the date of termination and any additional expenses necessarily realised in settling or realising any outstanding obligations. No compensation for loss of office is provided for in the agreement. The ACD Agreement provides indemnities by the Fund to the ACD other than for matters arising by reason of the ACD's negligence, default, breach of duty or breach of trust in the performance of the ACD's duties and obligations.
- 4.2.3 The ACD is under no obligation to account to the Depositary or the Shareholders for any profit it makes on the issue or re-issue of Shares or cancellation of Shares which it has redeemed. The fees to which the ACD is entitled are set out in section 30.

5 The Depositary

National Westminster Bank plc is the Depositary of the Fund. The Depositary is a public limited company incorporated in England and Wales. Subject to the Regulations the Depositary is responsible for the safekeeping of the property of the Fund entrusted to it and has a duty to take reasonable care to ensure that the Fund is managed in accordance with the provisions of the COLL Sourcebook relating to the pricing of, and dealing in, Shares of the Fund and to the allocation of the income of the Fund. The appointment of the Depositary was made under an agreement between the Fund, the ACD and the Depositary.

5.1 Registered office:

135 Bishopsgate, London, EC2M 3UR

5.2 Head office:

135 Bishopsgate, London, EC2M 3UR

5.3 Ultimate holding company:

The Royal Bank of Scotland Group plc.

5.4 Principal business activity:

The principal business activity of the Depositary is banking.

5.5 Terms of appointment:

- 5.5.1 The Depositary provides its services under the terms of a depositary agreement between the Fund and the Depositary (the 'Depositary Agreement'). Subject to the Regulations, the Depositary has full power under the Depositary Agreement to delegate (and authorise its sub-delegates to sub-delegate) all or any part of its duties as Depositary.
- 5.5.2 The Depositary Agreement may be terminated by three months' notice given by either the Fund or the Depositary, provided that the Depositary may not voluntarily retire except on the appointment of a new Depositary.

5.5.3 The Depositary Agreement contains indemnities by the Fund in favour of the Depositary against (other than in certain circumstances) any liability incurred by the Depositary as a consequence of its safe keeping of any of the Scheme Property or incurred by it as a consequence of the safe keeping of any of the Scheme Property by anyone retained by it to assist it to perform its functions of the safe keeping of the Scheme Property and also (in certain circumstances) exempts the Depositary from liability.

5.5.4 The Depositary is entitled to the fees, charges and expenses detailed under 'The Depositary's Charges and Expenses' in paragraph 29.4.

6 The Investment Manager

The ACD has appointed M&G Investment Management Limited ("MAGIM") to provide investment management and advisory services in respect of the Fund. The Investment Manager has authority to make decisions on behalf of the Fund and the ACD in respect of the acquisition and disposal of property and to advise in respect of the rights associated with the holding of such property. The Investment Manager has been appointed under an agreement between the ACD and the Investment Manager whereby the ACD accepts responsibility for all these services provided by the Investment Manager to the Fund. The investment management agreement may be terminated on three months written notice by the Investment Manager or the ACD, or immediately if the ACD believes this is in the best interests of Shareholders.

The Investment Manager's principal activity is acting as an investment manager and it is an Associate of the ACD by being a subsidiary of Prudential plc.

7 Administrator and Registrar

The ACD employs International Financial Data Services (UK) Limited ('IFDS') to provide certain administration services and act as registrar to the Fund.

8 The Auditor

The auditor of the Fund is Ernst & Young LLP of 10 George Street, Edinburgh, EH2 2DZ.

9 Register of Shareholders

The Register of Shareholders is maintained by IFDS at its office at IFDS House, St Nicholas Lane, Basildon, Essex SS15 5FS and may be inspected at that address during normal UK business hours by any Shareholder or any Shareholder's duly authorised agent.

10 Fund Accounting, Pricing and the Operation of Hedged Share Classes

The ACD has appointed State Street Bank and Trust Company to undertake the fund accounting and pricing functions on behalf of the Fund. The ACD has appointed State Street Bank Europe Limited to undertake currency share class hedging functions for hedged share classes.

11 Collateral Management

Where the Fund enters into OTC derivative transactions, JPMorgan Chase Bank, N.A. will provide administrative services in connection with the collateral management functions.

12 Buying and selling Shares

Please note that Sterling Share Classes are not currently available.

The address for postal dealing is P.O. Box 9039, Chelmsford, CM99 2XG. Telephone deals can be placed between 8.00 am and 6.00 pm UK time on each Dealing Day (except for Christmas Eve and

New Year's Eve when the office closes early) for the sale, and redemption of Shares. Deals will be effected at prices determined at the next valuation point following receipt of the request, i.e. on a forward pricing basis. Subject to sections 13, 14 and 15, requests may be made by post, telephone or any electronic or other means which the ACD may from time to time determine, either directly or via an authorised intermediary. Prices are calculated every Dealing Day at the valuation point (12.00 noon UK time).

Postal deals received at our postal dealing address and requests communicated by other means to the ACD before the valuation point will be dealt with at the price calculated on that Dealing Day; requests received after the valuation point will be dealt with at the price calculated on the next following Dealing Day.

The ACD does not currently permit the transfer of Shares by electronic means but may do so in the future at its discretion. For further details please contact the ACD.

13 Buying Shares

13.1 Procedure for investors in the Sterling Share Classes

Please note that Sterling Share Classes are not currently available.

(M&G International Investors should refer to Appendix 1)

13.1.1 On any given Dealing Day the ACD will be willing to sell Shares of at least one Class in the Fund. Shares can be bought as a lump sum investment.

13.1.2 Postal applications may be made on application forms obtained from the ACD. Alternatively, lump sum investment can be made under approved circumstances by telephoning M&G's Customer Dealing Line 0800 328 3196 between 8.00 am and 6.00 pm UK time on Dealing Days (except for Christmas Eve and New Year's Eve when the office closes early) or by visiting the ACD's website: www.mandg.co.uk.

13.1.3 The ACD has the right to reject, on reasonable grounds relating to the circumstances of the applicant, any application for Shares in whole or part, and in this event the ACD will return any money sent, or the balance of such monies, at the risk of the applicant. The ACD may also cancel any previously accepted request for the issue of Shares in the event of either non-payment of the amount due, including any provision for SDRT, or undue delay in payment by the applicant, including the non-clearance of cheques or other documents presented in payment.

13.1.4 The ACD reserves the right to limit the issue of Shares in the hedged Sterling Share Classes in circumstances where further investment in those Classes would be detrimental to the Fund. The ACD has the discretion to exercise this right at any time where the total value of hedged Shares in issue exceeds 50% of the Net Asset Value of the Fund.

In such circumstances, the ACD may still issue hedged Shares where the proceeds of that issue can be invested without compromising the Fund's objective or materially prejudicing existing shareholders in the Fund, such as on the reinvestment of distributable income, or the investment of regular contributions.

Where the limited issue provision is invoked, the ACD will publish, on its website or other general means, sufficient details to keep Shareholders appropriately informed about the limited issue arrangements, including, if known, its possible duration.

13.1.5 Any subscription monies remaining after a whole number of Shares has been issued may not be returned to the applicant. Instead, Fractions may be issued in such circumstances.

13.2 Documentation

13.2.1 A contract note giving details of the Shares purchased and the price used will be issued by the end of the business day following the valuation point by reference to which the price is determined, together with, where appropriate, a notice of the applicant's right to cancel.

13.2.2 Until 20 November 2015, payment for Shares purchased by post must accompany the application; payment for Shares purchased by other means must be made by no later than four business days, and thereafter three business days, after the valuation point following receipt of the instructions to purchase.

13.2.3 Currently Share certificates will not be issued in respect of Shares. Ownership of Shares will be evidenced by an entry on the Fund's Register of Shareholders. Statements in respect of periodic allocations of income of the Fund will show the number of Shares held by the recipient in the Fund in respect of which the allocation is made. Individual statements of a Shareholder's Shares will also be issued at any time on request by the registered holder (or, when Shares are jointly held, the first named holder).

13.3 Minimum subscriptions and holdings

13.3.1 The minimum initial lump sum subscriptions for Shares and the minimum holding in the Fund are set out in Appendix 1. If at any time a Shareholder's holding is below the specified minimum, the ACD reserves the right to sell the Shares and send the proceeds to the Shareholder, or at its absolute discretion convert the Shares to another Share Class within the same fund.

14 Selling Shares

14.1 Procedure for investors in the Sterling Share Classes

Please note that Sterling Share Classes are not currently available.

(M&G International Investors should refer to Appendix 1)

14.1.1 Shareholders have the right to sell Shares back to the ACD or require that the ACD arranges for the Fund to buy their Shares on any Dealing Day unless the value of Shares which a Shareholder wishes to sell will mean that the Shareholder will hold Shares with a value less than the required minimum holding for the Fund, in which case the Shareholder may be required to sell the entire holding.

14.1.2 Requests to sell Shares may be made by post, telephone, or any electronic or other means which the ACD may from time to time determine, either directly or via an authorised intermediary; the ACD may require telephonic or electronic requests to be confirmed in writing.

14.2 Documents the seller will receive

A contract note giving details of the Shares sold and the price used will be sent to the selling Shareholder (the first named, in the case of joint Shareholders) or to an authorised agent not later than the end of the business day following the valuation point by reference to which the price is determined. Until 20 November 2015, payment of proceeds will be made no more than four business days and thereafter three business days, after the later of:

- receipt by the ACD, when required, of sufficient written instructions duly signed by all the relevant Shareholders and completed as to the appropriate number of Shares, together with any other appropriate evidence of title; and
- the valuation point following receipt by the ACD of the request to sell.

14.2.1 The requirement for sufficient written instructions is normally waived if all the following conditions are met:

- Dealing instructions are given by the registered holder in person;
- The holding is registered in a sole name;
- The sale proceeds are to be made payable to the registered holder at their registered address, which has not changed within the previous 30 days; and
- The total amount payable in respect of sales by that holder on one business day does not exceed £15,240.

14.3 Minimum redemption

Subject to the Shareholder maintaining the minimum holding stated in this prospectus, part of a Shareholder's holding may be sold but the ACD reserves the right to refuse a request to sell Shares if the value of the Class of Shares of the Fund is less than the sum specified in Appendix 1.

15 Converting Shares

15.1 Conversions of Income Shares to Accumulation Shares and Accumulation Shares to Income Shares of the same Class are undertaken by reference to the respective Share prices. For persons subject to UK taxation, this will not be a realisation for the purposes of capital gains taxation.

15.2 Where the fund issues multiple Share Classes, a Shareholder may convert Shares of one Class for Shares in another Class where they are eligible to hold the other Class. Requests to convert between Share Classes must be submitted using the appropriate form available from the ACD. Such conversions will be executed within three Dealing Days of receipt of a valid instruction. Requests to convert between Share Classes are undertaken by reference to the respective Share prices of each Class. For interest distributing funds, whose prices are calculated net of income tax, these prices will be "net" prices. The impact of using net prices where the conversion of Shares is to a Class with a lower ACD's annual remuneration (see Appendix 1) is that the fund's total tax charge will increase and this increase will be borne by all Shareholders in the receiving Share Class. This approach has been agreed with the Depositary subject to the total impact to Shareholders being immaterial. Where the ACD determines at its absolute discretion that Share Class conversions are materially prejudicial to the Shareholders of a Share Class, instructions to convert between Share Classes will only be executed on the Dealing Day following the relevant fund's XD date. In such circumstances, instructions to convert between Share Classes must be received by the ACD no sooner than ten business days before the fund's relevant XD date.

15.3 Please note that conversions may be subject to a fee. The fee will not exceed an amount equal to the aggregate of the then prevailing redemption charge (if any) in respect of Original Shares and the initial charge (if any) in respect of New Shares and is payable to the ACD.

16 Dealing charges

16.1 Initial charge

The ACD may impose a charge on the buying of Shares. This charge is a percentage of the total amount of your investment and is deducted from your investment before Shares are purchased. The current level in relation to the Fund is set out in Appendix 1 and is subject to discounts that the ACD at its absolute discretion may apply from time to time. Increases from the current rates of charge can only be made in accordance with the COLL Sourcebook and after the ACD has revised the prospectus to reflect the increased rate.

17 Other dealing information

17.1 Dilution

17.1.1 The basis on which the Fund's investments are valued for the purpose of calculating the price of Shares as stipulated in the Regulations and the Fund's Instrument of Incorporation is summarised in section 24. However, the actual cost of purchasing or selling investments for the Fund may deviate from the mid-market value used in calculating the price of Shares in the Fund due to dealing costs such as broking charges, taxes, and any spread between the buying and selling prices of the underlying investments. These dealing costs can have an adverse effect on the value of the Fund, known as "dilution". It is not, however, possible to predict accurately whether dilution will occur at any point in time. The Regulations allow the cost of dilution to be met directly from the Fund's assets or to be recovered from investors on the purchase or redemption of Shares in the Fund inter alia by means of a dilution adjustment to the dealing price, and this is the policy which has been adopted by the ACD. The ACD shall comply with COLL 6.3.8 in its application of any such dilution adjustment. The ACD's policy is designed to minimise the impact of dilution in the Fund.

17.1.2 The dilution adjustment for the Fund will be calculated by reference to the estimated costs of dealing in the underlying investments of the Fund, including any dealing spreads, commissions and transfer taxes. The need to apply a dilution adjustment will depend on the relative volume of sales (where they are issued) to redemptions (where they are cancelled) of Shares. The ACD may apply a dilution adjustment on the issue and redemption of such Shares if, in its opinion, the existing Shareholders (for sales) or remaining Shareholders (for redemptions) might be adversely affected, and if in applying a dilution adjustment, so far as practicable, it is fair to all Shareholders and potential Shareholders. In specie transfers will not be taken into account when determining any dilution adjustment and any incoming portfolio will be valued on the same basis as the Fund is priced (i.e. offer plus notional dealing charges, mid, or bid less notional dealing charges). When a dilution adjustment is not applied there may be a dilution of the assets of the Fund which may constrain the future growth of the Fund.

17.1.3 The ACD may alter its current dilution adjustment policy by giving Shareholders at least 60 days' notice and amending the prospectus before the change takes effect.

17.1.4 Based on experience, the ACD would typically expect to make a dilution adjustment on most days, and this is expected to be of the magnitude detailed below. The ACD reserves the right to adjust the price by a lesser amount but will always make such an adjustment in a fair manner solely to reduce dilution and not for the purpose of creating a profit or avoiding a loss for the account of the ACD or an Associate. It should be noted that as dilution is related to inflows and outflows of monies and the purchase and sale of investments it is not possible to predict accurately if and when dilution will occur and to what extent.

Typical dilution adjustments for the Fund are expected to be: +0.12%/- 0.11%

Positive dilution adjustment figures indicate a typical increase from mid price when the Fund is experiencing net issues. Negative dilution adjustment figures indicate a typical decrease from mid price when the Fund is experiencing net redemptions.

Figures are based on the historic costs of dealing in the underlying investments of the Fund for the twelve months to 29 May 2015, including any spreads, commissions and transfer taxes.

17.2 In specie issues and redemptions

At its absolute discretion the ACD may agree or determine that instead of payment in cash to, or from, the Shareholder/investor for Shares in the Fund, the settlement of an issue or redemption transaction may be effected by the transfer of property into or out of the assets of the Fund on such terms as the ACD shall decide in consultation with the Investment Manager and the Depositary. In the case of redemptions, the ACD shall give notice to the Shareholder prior to the redemption proceeds becoming payable of its intention to transfer property to the Shareholder and, if required by the Shareholder, may agree to transfer to the Shareholder the net proceeds of the sale of such property.

The ACD may also offer to sell an investor's property and invest the proceeds by purchasing Shares in the Fund, subject to detailed terms and conditions available upon request.

17.3 Client account

Cash may be held for investors in a client account in certain circumstances. Interest is not paid on any such balances.

17.4 Excessive Trading

17.4.1 The ACD generally encourages Shareholders to invest in funds as part of a medium to long-term investment strategy and discourages excessive, short term, or abusive trading practices. Such activities may have a detrimental effect on the Fund and other Shareholders. The ACD has several powers to help ensure that Shareholder interests are protected from such practices. These include:

17.4.1.1 Refusing an application for Shares (see paragraph 13.1.3);

17.4.1.2 Fair Value Pricing (see section 24); and,

17.4.1.3 Applying the Dilution Adjustment (see paragraph 17.1).

17.4.2 We monitor shareholder dealing activity and if we identify any behaviour that, in our view, constitutes inappropriate or excessive trading, we may take any of the following steps with the shareholders we believe are responsible:

17.4.2.1 Issue warnings which if ignored may lead to further applications for Shares being refused;

17.4.2.2 Restrict methods of dealing available to particular Shareholders; and/or,

17.4.2.3 Impose a switching fee.

17.4.3 We may take these steps at any time, without any obligation to provide prior notice and without any liability for any consequence that may arise.

17.4.4 Inappropriate or excessive trading can sometimes be difficult to detect particularly where transactions are placed via a nominee account. The ACD therefore cannot guarantee that its efforts will be successful in eliminating such activities and their detrimental effects.

17.5 ACD dealing as principal

Where the ACD deals as principal in the Shares of the Fund, any profits or losses arising from such transactions shall accrue to the ACD and not to the Fund. The ACD is under no obligation to account to the Depositary, or to Shareholders for any profit it makes on the issue or re-issue of Shares or cancellation of Shares which it has redeemed.

18 Stamp Duty Reserve Tax ('SDRT')

18.1 The stamp duty reserve tax (SDRT) charge on UK unit trusts and open-ended investment companies (OEICs) was abolished with effect from 30 March 2014. A principal SDRT charge of 0.5% has been retained to be made on the value of non-pro rata in specie redemptions. This is a principal SDRT charge payable by the investor by reference to the value of chargeable securities (broadly, UK equities) redeemed in this type of transaction.

19 Money laundering

As a result of legislation in force in the United Kingdom to prevent money laundering, firms conducting investment business are responsible for compliance with money laundering regulations. The ACD may verify your identity electronically when you undertake certain transactions. In certain circumstances investors may be asked to provide proof of identity when buying or selling Shares. Normally this will not result in any delay in carrying out instructions but, should the ACD request additional information; this may mean that instructions will not be carried out until the information is received. In these circumstances, the ACD may refuse to sell or, redeem Shares, release the proceeds of redemption or carry out such instructions.

20 Restrictions on dealing

The ACD may from time to time impose such restrictions as it may think necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory. In this connection, the ACD may, inter alia, reject at its discretion any application for the issue, sale, redemption, cancellation or switch of Shares or require the mandatory redemption of Shares or transfer of Shares to a person qualified to hold them.

The distribution of this prospectus and the offering of Shares in, or to persons resident in, or nationals of, or citizens of, jurisdictions outside the UK or who are nominees of, custodians or trustees for, citizens or nationals of other countries may be affected by the laws of the relevant jurisdictions. Such Shareholders/investors should inform themselves about and observe any applicable legal requirements. It is the responsibility of any Shareholder/investor to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction, including obtaining any governmental, exchange control or other consents which may be required, or compliance with other necessary formalities needing to be observed and payment of any issue, transfer or other taxes or duties due in such jurisdiction. Any such Shareholder/investor will be responsible for any such issue, transfer or other taxes or payments by whomsoever payable and the Fund (and any person acting on behalf of it) shall be fully indemnified and held harmless by such Shareholder/investor for any such issue, transfer or other taxes or duties as the Fund (and any person acting on behalf of it) may be required to pay.

If it comes to the notice of the ACD that any Shares ("affected Shares") are owned directly or beneficially in breach of any law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory, which would (or would if other Shares were acquired or held in like circumstances) result in the Fund incurring any liability to taxation which the Fund would not be able to recoup itself or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulations of any country or territory) or by virtue of which the Shareholder or Shareholders in question is/are not qualified to hold such Shares or if it reasonably believes this to be the case, the ACD may give notice to the Shareholder(s) of the affected Shares requiring the transfer of such Shares to a person who is qualified or entitled to own them or that a request in writing be given for the redemption of such Shares. If any Shareholder upon whom such a notice is served does not within thirty days after the date of such

notice transfer their affected Shares to a person qualified to own them or submit a written request for their redemption to the ACD or establish to the satisfaction of the ACD (whose judgement is final and binding) that they or the beneficial owner are qualified and entitled to own the affected Shares, they shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption or cancellation (at the discretion of the ACD) of all the affected Shares pursuant to the Regulations.

A Shareholder who becomes aware that they are holding or own affected Shares shall forthwith, unless they have already received a notice as aforesaid, either transfer all their affected Shares to a person qualified to own them or submit a request in writing to the ACD for the redemption of all their affected Shares.

Where a request in writing is given or deemed to be given for the redemption of affected Shares, such redemption will be effected in the same manner as provided for under the Regulations, if effected at all.

21 Suspension of dealings in the Fund

- 21.1 The ACD may with the agreement of the Depositary, or must if the Depositary so requires, temporarily suspend for a period the issue, sale, cancellation and redemption of Shares or any Class of Shares in the Fund if the ACD or the Depositary is of the opinion that due to exceptional circumstances there is good and sufficient reason to do so having regard to the interests of Shareholders.
- 21.2 Re-calculation of the Share price for the purpose of sales and purchases will commence at the time the suspension is ended or at the next relevant valuation point following the ending of the suspension.
- 21.3 The ACD will notify Shareholders as soon as is practicable after the commencement of the suspension, including details of the exceptional circumstances which have led to the suspension, in a clear, fair and not misleading way and giving Shareholders details of how to find further information about the suspensions.
- 21.4 Where such suspension takes place, the ACD will publish, on its website or other general means, sufficient details to keep Shareholders appropriately informed about the suspension, including, if known, its possible duration.
- 21.5 During the suspension none of the obligations in COLL 6.2 (Dealing) will apply but the ACD will comply with as much of COLL 6.3 (Valuation and Pricing) during the period of suspension as is practicable in light of the suspension.
- 21.6 Suspension will cease as soon as practicable after the exceptional circumstances leading to the suspension have ceased but the ACD and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders.
- 21.7 The exceptional circumstances in which the ACD or the Depositary may require the temporary suspension of the issue, sale, cancellation and redemption of Shares, or any class of Shares in the Fund includes, but is not limited to the following:
- 21.7.1 during any period when, in the opinion of the ACD or the Depositary, an accurate valuation of the Fund cannot occur, including:
- 21.7.1.1 where one or more markets is unexpectedly closed or where dealing is suspended or restricted;
- 21.7.1.2 during a political, economic, military or other emergency; or
- 21.7.1.3 during any breakdown in the means of communication or computation normally employed in determining the price or value of any of the investments of the Fund or any Classes of Shares;

21.7.2 upon the decision of the ACD, having given sufficient notice to Shareholders, to wind up the Fund (see section 35).

22 Governing law

All deals in Shares are governed by English law.

23 Valuation of the Fund

- 23.1 The price of a Share of a particular Class in the Fund is calculated by reference to the Net Asset Value of the Fund and attributable to that Class and adjusted for the effect of charges applicable to that Class and further adjusted to reduce any dilutive effect of dealing in the Fund (for more detail of dilution adjustment see paragraph 17.1). The Net Asset Value per Share of the Fund is currently calculated at 12:00 noon UK time on each Dealing Day.
- 23.2 The ACD may at any time during a Dealing Day carry out an additional valuation if the ACD considers it desirable to do so.

24 Calculation of the Net Asset Value

- 24.1 The value of the Scheme Property of the Fund shall be the value of its assets less the value of its liabilities determined in accordance with the following provisions.
- 24.2 All the Scheme Property (including receivables) of the Fund is to be included, subject to the following provisions.
- 24.3 Property which is not cash (or other assets dealt with in paragraph 24.4) or a contingent liability transaction shall be valued as follows and the prices used shall be (subject as follows) the most recent prices which it is practicable to obtain:
- 24.3.1 units or shares in a collective investment scheme:
- 24.3.1.1 if, a single price for buying and selling units or shares is quoted, at the most recent such price; or
- 24.3.1.2 if, separate buying or selling prices are quoted, at the average of the two prices provided the buying price has been reduced by any initial charge included therein and the selling price excludes any exit or redemption charge attributable thereto; or
- 24.3.1.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or no recent price exists or if the most recent price available does not reflect the ACD's best estimate of the value of the units or shares, at a value which, in the opinion of the ACD, is fair and reasonable;
- 24.3.2 exchange-traded derivative contracts:
- 24.3.2.1 if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
- 24.3.2.2 if separate buying and selling prices are quoted, at the average of the two prices; or
- 24.3.3 over-the-counter derivative products shall be valued in accordance with the method of valuation as shall have been agreed between the ACD and the Depositary;
- 24.3.4 any other investment;
- 24.3.4.1 if, a single price for buying and selling the security is quoted, at that price; or
- 24.3.4.2 if, separate buying and selling prices are quoted, the average of those two prices; or

24.3.4.3 if, in the opinion of the ACD, the price obtained is unreliable or no recent traded price is available or if no price exist or if the most recent price available does not reflect the ACD's best estimate of the value of the securities, at a value which in the opinion of the ACD is fair and reasonable;

24.3.5 property other than that described in paragraphs 24.3.1, 24.3.2, 24.3.3 and 24.3.4 above: at a value which, in the opinion of the ACD, represents a fair and reasonable mid-market price.

24.4 Cash and amounts held in current, deposit and margin accounts and in other time-related deposits shall normally be valued at their nominal values.

24.5 In determining the value of the Scheme Property, all instructions given to issue or cancel Shares shall be assumed (unless the contrary is shown) to have been carried out and any cash payment made or received and all consequential action required by the Regulations or the Instrument shall be assumed (unless the contrary is shown) to have been taken.

24.6 Subject to paragraphs 24.7 and 24.8 below, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the ACD, their omission will not materially affect the final Net Asset Value amount.

24.7 Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph 24.6.

24.8 All agreements are to be included under paragraph 24.7 which are, or ought reasonably to have been, known to the person valuing the property.

24.9 An estimated amount for anticipated tax liabilities (on unrealised capital gains where the liabilities have accrued and are payable out of the property of the Scheme; on realised capital gains in respect of previously completed and current accounting periods; and on income where liabilities have accrued) at that point in time including (as applicable and without limitation) capital gains tax, income tax, corporation tax, value added tax, stamp duty, SDRT and any foreign taxes and duties will be deducted.

24.10 An estimated amount for any liabilities payable out of the Scheme Property and any tax thereon treating periodic items as accruing from day to day will be deducted.

24.11 The principal amount of any outstanding borrowings whenever repayable and any accrued but unpaid interest on borrowings will be deducted.

24.12 An estimated amount for accrued claims for repayments of tax of whatever nature to the Fund which may be recoverable will be added.

24.13 Any other credits or amounts due to be paid into the Scheme Property will be added.

24.14 A sum representing any interest or any income accrued due or deemed to have accrued but not received will be added.

24.15 The amount of any adjustment deemed necessary by the ACD to ensure that the Net Asset Value is based on the most recent information and is fair to all Shareholders will be added or deducted as appropriate.

24.16 Currencies or values in currencies other than the base currency shall be converted at the relevant valuation point at a prevailing rate of exchange which is not likely to result in any material prejudice to the interests of Shareholders or potential Shareholders.

25 Price per Share in each Class

The price per Share at which Shares are bought by investors is the sum of the Net Asset Value of a Share adjusted to reduce any dilutive effect of dealing in the Fund (for more detail of dilution adjustment see paragraph 17.1) before any initial charge. The price per Share at which Shares are sold by investors is the Net Asset Value per Share adjusted to reduce any dilutive effect of dealing in the Fund (for more detail of dilution adjustment see 17.1) before any applicable redemption charge. In addition, there may, for both purchases and sales, be a charge for SDRT as described in section 18.

26 Pricing basis

There shall be a single price for a Share in any Class. The Fund deals on a forward pricing basis. A forward price is the price calculated at the next valuation point after the purchase or sale is agreed.

27 Publication of prices

Please note that Sterling Share Classes will not be available at Fund launch, however the ACD intends to make them available in due course.

(M&G International Investors should refer to Appendix 1)

The most recent price of Share Classes appear daily on our website at www.mandg.co.uk or can be obtained from Customer Relations free on 0800 390 390.

28 Risk factors

Potential investors should consider the risk factors referenced in Section 42 before investing in the Company.

29 Charges and Expenses

Introduction

This section details the payments that may be made out of the Company to the parties operating the Company, to meet the costs of administration in respect of the investment and safekeeping of their scheme property.

Each Class of shares in the Company has an Ongoing Charges Figure and this is shown in the relevant Key Investor Information Document. The Ongoing Charges Figure is intended to assist Shareholders to ascertain and understand the impact of charges on their investment each year and to compare the level of those charges with the level of charges in other funds.

The Ongoing Charges Figure excludes portfolio transaction costs and any initial charge or redemption charge but will capture the effect of the various charges and expenses referred to in this section. In common with other types of investors in financial markets, the Company incurs costs when buying and selling underlying investments in pursuit of its investment objective. These portfolio transaction costs include dealing spread, broker commissions, transfer taxes and stamp duty incurred by the Company on transactions. The annual and half-yearly reports of the Company provide further information on portfolio transaction costs incurred in the relevant reporting period.

VAT may be payable on the charges or expenses mentioned in this section.

29.1 The ACD's Annual Management Charge

29.1.1 The ACD is permitted to take a charge from each Share Class of the Company as payment for carrying out its duties and responsibilities. This is known as the ACD's "Annual Management Charge" (sometimes abbreviated to "AMC").

29.1.2 The Annual Management Charge is based on a percentage of the Net Asset Value of each Share Class of the Company. The annual rate of this charge is set out for the Company in Appendix 1.

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- 29.1.3 Each day the ACD charges one-365th of the Annual Management Charge (or one-366th if it is a leap year). If the day is not a Dealing Day, the ACD will take the charge into account on the next Dealing Day. The ACD calculates this charge using the Net Asset Value of each Share Class on the previous Dealing Day.
- 29.1.4 Though the Annual Management Charge is calculated and taken into account daily in each Share Class's price, it is actually paid to the ACD every fortnight.
- 29.1.5 Where the Company invests in the units or shares of another fund managed by the ACD, or by an associate of the ACD, the ACD will reduce its Annual Management Charge by the amount of any equivalent charge that has been taken on the underlying funds. Underlying funds will also waive any initial or redemption charges which might otherwise apply. That way, the ACD ensures that Shareholders are not charged twice.

29.2 The ACD's Administration Charge

- 29.2.1 The ACD is permitted to take a charge from each Share Class of the Company as payment for administrative services to the Company. This is called the Administration Charge. This covers costs such as the maintenance of the Company's register, the internal administrative costs involved in buying and selling shares in the Company, the payment of the Company's distributions, and the payment of the fees of regulators in the UK or in other countries where the Company is registered for sale.
- 29.2.2 The Administration Charge is based on a percentage of the Net Asset Value of each Share Class of the Company. The annual rate of this charge is set out in Appendix 1 (plus any value added tax if applicable).
- 29.2.3 The Administration Charge is calculated and taken into account daily and is paid fortnightly to the ACD on the same basis as described at 29.1.3 and 29.1.4 for the Annual Management Charge.
- 29.2.4 If the cost of providing administrative services to the Company is more than the Administration Charge taken in any period, the ACD will make up the difference. If the cost of providing administrative services to the Company is less than the Administration Charge taken in any period, the ACD will keep the difference.

29.3 The ACD's Share Class Hedging Charge

- 29.3.1 The ACD is permitted to take a charge from each hedged Share Class of the Company as payment for hedging services to that Share Class. This is called the Share Class Hedging Charge.
- 29.3.2 The Share Class Hedging Charge is a variable rate detailed in Appendix 1 (plus any value added tax if applicable). The exact rate will vary within the specified range depending upon the total amount of share class hedging activities across the entire range of OEICs managed by the ACD.
- 29.3.3 The Share Class Hedging Charge is calculated and taken into account daily and paid fortnightly on the same basis as described at 29.1.3 and 29.1.4 for the Annual Management Charge.
- 29.3.4 If the cost of providing share class hedging services to the Company is more than the Share Class Hedging Charge taken in any period, the ACD will make up the difference. If the cost of providing share class hedging services to the Company is less than the Share Class Hedging Charge taken in any period, the ACD will keep the difference.

29.4 The Depositary's Charges and Expenses

29.4.1 The Depositary takes a charge from the Company as payment for its duties as depositary. This is called the Depositary's Charge.

29.4.2 The Depositary's Charge is based on the Net Asset Value of the Company, and is charged on a sliding scale as follows:

Percentage charge per annum:	Net Asset Value:
0.0075%	First £150 million
0.005%	Next £500 million
0.0025%	Balance above £650 million

This sliding scale is agreed between the ACD and the Depositary and may be changed. If it does change, the ACD will inform you in accordance with the COLL Sourcebook.

29.4.3 The Depositary's Charge is calculated and taken into account daily and is paid fortnightly to the Depositary on the same basis as described at 29.1.3 and 29.1.4 for the Annual Management Charge.

29.4.4 The Depositary may also make a charge for its services in relation to:

- distributions,
- the provision of banking services,
- holding money on deposit,
- lending money,
- engaging in stock lending, derivative or unsecured loan transactions,
- the purchase or sale, or dealing in the purchase or sale of, Scheme Property,

provided that the services are in accordance with the provisions of the COLL Sourcebook.

29.4.5 The Depositary is also entitled to payment and reimbursement of all costs, liabilities and expenses it incurs in the performance of, or in arranging the performance of, functions conferred on it by the Instrument of Incorporation, the COLL Sourcebook or by general law. Such expenses generally include, but are not restricted to:

- delivery of stock to the Depositary or custodian;
- collection and distribution of income and capital;
- submission of tax returns and handling tax claims;
- such other duties as the Depositary is permitted or required by law to perform.

29.5 Custody Charges

29.5.1 The Depositary is entitled to be paid a Custody Charge in relation to the safe-keeping of the Company's assets ("custody").

29.5.2 The Custody Charge is variable depending upon the specific custody arrangements for each type of asset. The Custody Charge is a range between 0.00005% and 0.40% of the asset values per annum.

29.5.3 The Custody Charge is taken into account daily in each Share Class's price. It is calculated each month using the value of each asset type and it is paid to State Street Bank and Trust Company when it invoices the Company.

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29.6 Custody Transaction Charges

- 29.6.1 The Depositary is also entitled to be paid Custody Transaction Charges in relation to processing transactions in the Company's assets.
- 29.6.2 The Custody Transaction Charges vary depending on the country and the type of transaction involved. The Custody Transaction Charges generally range between £4 and £75 per transaction.
- 29.6.3 The Custody Transaction Charges are taken into account daily in each Share Class's price. It is calculated each month based on the number of transactions that have taken place and it is paid to State Street Bank and Trust Company when it invoices the Company.

29.7 Other Expenses

- 29.7.1 The costs and expenses relating to the authorisation and incorporation and establishment of the Company, the offer of Shares, the preparation and printing of this Prospectus and the fees of the professional advisers to the Company in connection with the offer will be borne by the ACD.
- 29.7.2 The direct establishment costs of each Share Class created, may be borne by the Company or by the ACD at its discretion.
- 29.7.3 The Company may pay out of the property of the Company charges and expenses incurred by the Company unless they are covered by the Administration Charge. These include the following expenses:
- 29.7.3.1 reimbursement of all out of pocket expenses incurred by the ACD in the performance of its duties;
- 29.7.3.2 broker's commission, taxes and duties (including stamp duty and / or Stamp Duty Reserve Tax), and other disbursements which are necessarily incurred in effecting transactions for the Company;
- 29.7.3.3 any fees or expenses of any legal or other professional adviser of the Company;
- 29.7.3.4 any costs incurred in respect of meetings of Shareholders convened on a requisition by Shareholders but not those convened by the ACD or an associate of the ACD;
- 29.7.3.5 liabilities on unitisation, amalgamation or reconstruction including certain liabilities arising after transfer of property to the Company in consideration for the issue of Shares as more fully detailed in the Regulations;
- 29.7.3.6 interest on borrowing and charges incurred in effecting or terminating such borrowing or in negotiating or varying the terms of such borrowing on behalf of the Company;
- 29.7.3.7 taxation and duties payable in respect of the property of the Company or of the issue or redemption of Shares, including SDRT;
- 29.7.3.8 the audit fees of the Auditor (including value added tax) and any expenses of the Auditor;
- 29.7.3.9 if the Shares are listed on any stock exchange, the fees connected with the listing (though none of the Shares are currently listed); and,
- 29.7.3.10 any value added or similar tax relating to any charge or expense set out herein.

- 29.7.4 In certain circumstances, the Investment Manager may participate in a commission sharing arrangement. This is a term given to the system of commission payments awarded to participating brokers from the Investment Manager which may be used to pay other third party research providers. The participating brokers agree to "give up" commission payments in relation to equity trades to the research provider. This arrangement is founded on the basis that the participating broker keeps part of the commission for the execution service and the research provider receives commission for the research services provided to the Investment Manager.

29.8 Allocation of charges

The charges and expenses described in this section are either charged to capital or income (or both) in accordance with the Regulations. Where the investment objective of a fund is to treat the generation of income as an equal or higher priority than the generation of capital growth, all or part of its proportion of the charges and expense may be charged against capital instead of against income. This can only be done with the approval of the fund's depositary or trustee. This treatment of the charges and expense may increase the amount of income available for distribution to holders in the fund concerned, but it may constrain capital growth. For those Share Classes where charges and expenses are paid from income, if there is insufficient income to fully pay those charges and expenses, the residual amount is taken from capital.

Appendix 1 details if the Company's charges and expense are taken from income or capital.

30 Stock lending

- 30.1 The Fund or the Depositary at the request of the Fund, may enter into repo contracts or certain stock lending arrangements in respect of the Fund. The Fund or the Depositary delivers securities which are the subject of the stock lending arrangement in return for an agreement that securities of the same kind and amount should be redelivered to the Fund or the Depositary at a later date. The Fund or the Depositary at the time of delivery receives collateral to cover the risk of the future redelivery not being completed. There is no limit on the value of the property of the Fund which may be the subject of repo contracts or stock lending arrangements.
- 30.2 Stock lending arrangements must be an arrangement of the kind described in Section 263B of the Taxation of Chargeable Gains Act 1992. The arrangements must also comply with the requirements of the Regulations.

31 Shareholder meetings and voting rights

31.1 Annual general meeting

In accordance with the provisions of the Open-Ended Investment Companies (Amendment) Regulations 2005, the Fund has elected not to hold annual general meetings.

31.2 Requisitions of meetings

- 31.2.1 The ACD or the Depositary may requisition a general meeting at any time.
- 31.2.2 Shareholders may also requisition a general meeting of the Fund. A requisition by Shareholders must state the objects of the meeting, be dated, be signed by Shareholders who, at the date of the requisition, are registered as holding not less than one-tenth in value of all Shares then in issue and the requisition must be deposited at the head office of the Fund. The ACD must convene a general meeting no later than eight weeks after receipt of such requisition.

31.3 Notice and quorum

Shareholders will receive at least 14 days' notice of a Shareholders' meeting (other than an adjourned meeting where a shorter period of notice can apply) and are entitled to be counted in the quorum and vote at such meeting either in person or by proxy. The quorum for a meeting is two Shareholders, present in person or by proxy. If after a reasonable time from the time set for an adjourned meeting there are not two Shareholders present in person or by proxy, the quorum for the adjourned meeting shall be one person entitled to be counted in a quorum and present at the meeting. Notices of meetings and adjourned meetings will normally be given in writing to the Shareholder's registered address (or, at the discretion of the ACD, such other address which we may hold for the purposes of correspondence).

31.4 Voting rights

- 31.4.1 At a meeting of Shareholders, on a show of hands every Shareholder who (being an individual) is present in person or (being a corporation) is present by its representative properly authorised in that regard, has one vote.
- 31.4.2 On a poll vote, a Shareholder may vote either in person or by proxy. The voting rights attaching to each Share are such proportion of the voting rights attaching to all the Shares in issue that the price of the Share bears to the aggregate price(s) of all the Shares in issue as at a cut-off date selected by the ACD which is a reasonable time before the notice of meeting is deemed to have been served.
- 31.4.3 A Shareholder entitled to more than one vote need not, if they vote, use all their votes or cast all the votes they use in the same way.
- 31.4.4 Except where the Regulations or the Instrument of Incorporation of the Fund require an extraordinary resolution (which needs at least 75% of the votes validly cast at the meeting to be in favour for the resolution to be passed) any resolution required will be passed by a simple majority of the votes validly cast for and against the resolution.
- 31.4.5 The ACD may not be counted in the quorum for a meeting and neither the ACD nor any Associate of the ACD is entitled to vote at any meeting of the Fund except in respect of Shares which the ACD or Associate holds on behalf of or jointly with a person who, if the registered Shareholder, would be entitled to vote and from whom the ACD or Associate has received voting instructions.
- 31.4.6 'Shareholders' in this context means Shareholders on a cut-off date selected by the ACD which is a reasonable time before the notice of the relevant meeting was deemed to have been served but excludes holders of shares who are known to the ACD not to be Shareholders at the time of the meeting.
- 31.4.7 Where an extraordinary resolution is required to conduct business at a meeting of Shareholders and every Shareholder is prohibited under COLL 4.4.8R(4) from voting, with the written agreement of the Depositary to the process, the resolution may instead be passed with the written consent of Shareholders representing at least 75% of the Shares in issue.
- 31.4.8 M&G International Investors will be offered a vote at general meetings when M&G International Investments Limited considers, at its sole discretion, that the investors' interests may be materially affected.

31.5 Class meetings

The above provisions, unless the context otherwise requires, apply to Class meetings as they apply to general meetings of Shareholders.

31.6 Variation of Class rights

The rights attached to a Class may not be varied unless done so pursuant to the notification requirements of COLL 4.3R.

32 Taxation

32.1 General

The information given under this heading does not constitute legal or tax advice and prospective investors should consult their own professional advisers about the implications of subscribing for, buying, holding, exchanging, selling or otherwise disposing of Shares under the laws of the jurisdiction in which they may be subject to tax.

The statements below are only intended as a general summary of UK tax law and practice as at the date of this Prospectus and may change in the future. Any investor who is in any doubt as to their UK tax position in relation to a Sub-fund should consult a UK professional adviser.

32.2 Taxation of the Fund

32.2.1 Income

The Fund will be liable to corporation tax on its taxable income less expenses at the basic rate of income tax (currently 20%).

32.2.2 Capital gains

Capital gains accruing to the Fund will be exempt from UK tax.

32.3 Distributions

Should the Fund be over 60% invested in qualifying assets (broadly interest paying) throughout the relevant distribution period, it can elect to make interest distributions. In all other cases it will pay dividend distributions. It is the ACD's current intention that the Fund will make dividend distributions.

32.4 Taxation of the investor

The following notes are primarily for the information of UK Shareholders. Information relating generally to non-resident Shareholders is also given.

32.4.1 Dividend distributions - UK resident individual Shareholders

The distributions paid out or accumulated are dividends which carry a tax credit at the rate of 10% of the gross income. Individual Shareholders whose income is within the basic rate band will have no further tax to pay. Higher rate taxpayers can set the tax credit against their tax liability, which will be charged at a rate of 32.5% on dividend income. For additional rate taxpayers the tax credit can be set against their tax liability, which will be charged at a rate of 37.5% on dividend income. For non taxpayers, none of the tax credit is refundable.

32.4.2 Dividend distributions – UK resident corporate Shareholders

For UK resident corporate Shareholders, any dividend distributions will be divided into that part which relates to UK dividend income of the Fund, and that part which relates to other income. The part relating to UK dividend income is not taxable. The tax credit received in respect of it cannot be reclaimed. The other part is taxable as if it were interest and is subject to corporation tax. The taxable part of the distribution is received net of an income tax deduction of 20% which can be offset against a Shareholder's liability to corporation tax and may be recoverable. The tax voucher will show the ratio between the part relating to UK dividend income (franked investment income) and the part relating to taxable annual payments and also shows, in terms of a pence per Share rate, the tax which can be recovered.

32.4.3 Interest distributions

These are paid after deduction of income tax at the rate of 20%. The tax deducted will be creditable against an investor's liability to UK tax on interest distributions. Individuals paying UK tax at 20% will not be subject to further UK taxation; however, UK higher rate taxpayers will be liable to pay further UK tax at their marginal tax rate.

Certain UK resident non-taxpayers (including ISA managers and pension scheme investors) should be able to reclaim from HM Revenue & Customs the 20% tax deducted. UK resident non taxpayers should be able to reclaim the 20% tax deducted from HM Revenue & Customs, as should former starting rate on savings income tax payers.

UK resident companies are generally able to offset the 20% tax, where deducted, against any corporation tax liability and they may reclaim it from HM Revenue & Customs where appropriate.

Certain categories of Shareholder may receive interest distributions gross, if they can demonstrate to the satisfaction of the ACD that they are eligible with reference to section 930 of the Income Tax Act 2007 or Regulation 26 of the Authorised Investment Funds (Tax) Regulation 2006. The ACD will accept a completed Declaration of Eligibility for Gross Interest Distributions Form, or if appropriate, another HMRC form (Form 105 typically in the case of individuals), signed by persons authorised to sign on behalf of the Shareholder declaring to the ACD that they meet the necessary criteria as described above to be entitled to gross distributions.

Where a gross payment is made and the investor holds Accumulation Shares, we intend to use any element of reclaimable tax to purchase further Accumulation Shares in the Fund. If we do so we will waive any initial charge due to us on such re-investment. These re-investments will be made fourteen days before the relevant published income allocation date.

UK resident corporate Shareholders should note that where they hold a fund which makes interest distributions, gains will be subject to loan relationship rules.

32.4.4 Capital gains

Profits arising on disposal of Shares are subject to capital gains tax. However, if the total gains from all sources realised by an individual Shareholder in a tax year, after deducting allowable losses, are less than the annual exemption, there is no capital gains tax to apply. Where income equalisation applies (see section 34), the buying price of Shares includes accrued income which is repaid to the investor with the first allocation of income following the purchase. This repayment is deemed to be a repayment of capital and is therefore made without deduction of tax but must be deducted from the investor's base cost of the relevant Shares for purposes of calculating any liability to capital gains tax.

Where over 60% of the investments of a Sub-fund are interest-bearing or economically equivalent investments, the Shareholdings of UK resident corporate Shareholders will generally be subject to the loan relationships regime.

33 Tax Reporting

33.1 In order to fulfill our legal obligations we are required to obtain confirmation of the tax residency of Shareholders, and may ask for evidence of the tax identification number, and country and date of birth of individual Shareholders, or for the Global Intermediary Identification Number (GIIN) of corporate Shareholders. If certain conditions apply, information about your shareholding may be passed to HM Revenue & Customs in order to be passed on to

other tax authorities. For the purposes of the European Savings Directive, such information will be passed to HM Revenue & Customs where you sell Shares in the Fund where it has invested more than 25% of its assets directly or indirectly in money debts, or where distributions are paid out by the Fund which has invested more than 15% of its assets in money debts.

34 Income equalisation

- 34.1 Income equalisation will be applied to Shares issued by the Fund.
- 34.2 Part of the purchase price of a Share reflects the relevant share of accrued income received or to be received by the Fund. This capital sum is returned to a Shareholder with the first allocation of income in respect of a Share issued during the relevant accounting period.
- 34.3 The amount of income equalisation is calculated by dividing the aggregate of the amounts of income included in the price of Shares issued to or bought by Shareholders in a particular Share Class in an annual or interim accounting period (see paragraph 36.1) by the number of those Shares and applying the resultant average to each of the Shares in question.

35 Winding up of the Fund

- 35.1 The Fund shall not be wound up except as an unregistered company under Part V of the Insolvency Act 1986 or under the Regulations.
- 35.2 Where the Fund is to be wound up under the Regulations, such winding up may only be commenced following approval by the FCA. The FCA may only give such approval if the ACD provides a statement (following an investigation into the affairs of the Fund) either that the Fund will be able to meet its liabilities within 12 months of the date of the statement or that the Fund will be unable to do so.
- 35.3 The Fund may be wound up under the Regulations if:
- 35.3.1 an extraordinary resolution to that effect is passed by Shareholders; or
- 35.3.2 the period (if any) fixed for the duration of the Fund by the Instrument of Incorporation expires, or the event (if any) occurs on the occurrence of which the Instrument of Incorporation provides that the Fund is to be wound up (for example, if the Share capital of the Fund is below its prescribed minimum); or
- 35.3.3 on the date of effect stated in any agreement by the FCA to a request by the ACD for the revocation of the authorisation order in respect of the Fund.
- 35.4 On the occurrence of any of the above:
- 35.4.1 Regulations 6.2, 6.3 and 5 relating to Dealing, Valuation and Pricing and Investment and Borrowing will cease to apply to the Fund;
- 35.4.2 the Fund will cease to issue and cancel Shares and the ACD shall cease to sell or redeem Shares or arrange for the Fund to issue or cancel them for the Fund;
- 35.4.3 no transfer of a Share shall be registered and no other change to the register shall be made without the sanction of the ACD;
- 35.4.4 where the Fund is being wound up, the Fund shall cease to carry on its business except in so far as it is beneficial for the winding up of the Fund;
- 35.4.5 the corporate status and powers of the Fund and, subject to the provisions of paragraphs 35.4.1 and 35.4.2 above, the powers of the ACD shall remain until the Fund is dissolved.
- 35.5 The ACD shall, as soon as practicable after the Fund falls to be wound up, realise the assets and meet the liabilities of the Fund and, after paying out or retaining adequate provision for all liabilities

properly payable and retaining provision for the costs of winding up, arrange for the Depositary to make one or more interim distributions out of the proceeds to Shareholders proportionately to their rights to participate in the Scheme Property of the Fund. When the ACD has caused all of the Scheme Property to be realised and all of the liabilities of the Fund to be realised, the ACD shall arrange for the Depositary also to make a final distribution to Shareholders as at (or prior to) the date on which the final account is sent to Shareholders of any balance remaining, if applicable, in proportion to their holdings in the Fund.

- 35.6 On completion of a winding up of the Fund, the Fund will be dissolved and any money which is legitimately the property of the Fund (including unclaimed distributions) and standing to the account of the Fund, will be paid into court within one month of dissolution.
- 35.7 Following the completion of the winding up of the Fund, the ACD shall provide written confirmation to the Registrar of Companies and shall notify the FCA that it has done so.
- 35.8 Following the completion of a winding up of either the Fund, the ACD must prepare a final account showing how the winding up took place and how the Scheme Property was distributed. The auditor of the Fund shall make a report in respect of the final account stating their opinion as to whether the final account has been properly prepared. This final account and the auditor's report must be sent to the FCA, to each Shareholder and, in the case of the winding up of the Fund, to the Registrar of Companies within two months of the termination of the winding up.

36 General information

36.1 Accounting periods

The annual accounting period of the Fund ends each year on 31 March (the accounting reference date). The half-yearly accounting period ends each year on 30 September.

36.2 Income allocations

- 36.2.1 Allocations of income are made in respect of the income available for allocation in each annual accounting period and, each interim accounting period (see Appendix 1).
- 36.2.2 Distributions of income are paid on or before the annual and interim income allocation dates as set out in Appendix 1.
- 36.2.3 If a distribution remains unclaimed for a period of six years after it has become due, it will be forfeited and will revert to the Fund.
- 36.2.4 The amount available for allocation in any accounting period is calculated by taking the aggregate of the income received or receivable for the account of the Fund in respect of that period, and deducting the charges and expenses of the Fund paid or payable out of income in respect of that accounting period. The ACD then makes such other adjustments as it considers appropriate (and after consulting the auditor as appropriate) in relation to taxation, income equalisation, income unlikely to be received within 12 months following the relevant income allocation date, income which should not be accounted for on an accrual basis because of lack of information as to how it accrues, transfers between the income and capital account and any other adjustments which the ACD considers appropriate after consulting the auditor.

The amount initially deemed available in respect of any one Class of Share may be reduced if the income attributed to another Class of Share is less than the charges applicable to that Class of Share.

- 36.2.5 Income from debt securities is recognised on an effective yield basis. Effective yield is an income calculation that takes account of amortisation of any discount or premium on the purchase price of the debt security over the remaining life of the security.

- 36.2.6 Distributions made to the first named joint Shareholder are as effective a discharge to the Fund and the ACD as if the first named Shareholder had been a sole Shareholder.

- 36.2.7 Income produced by the Fund's investments accumulates during each accounting period. If, at the end of the accounting year, income exceeds expenses, the net income of the Fund is available to be distributed to Shareholders. In order to conduct a controlled dividend flow to Shareholders, interim distributions will be, at the Investment Manager's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed in accordance with the Regulations.

- 36.2.8 Where the fund does not issue Accumulation Shares, a Shareholder may choose to have their income reinvested to purchase additional shares of the Fund. Where the reinvestment of income has been permitted, the ACD will waive any initial charge due to on such re-investment. Re-investment of allocations of income is made fourteen days before the relevant income allocation date.

36.3 Annual Reports

- 36.3.1 Annual reports of the Fund are published within four months of each annual accounting period and half-yearly reports are published within two months of each half-yearly accounting period and are available to Shareholders on request. Shareholders will receive copies of the annual and half-yearly short reports on publication.
- 36.3.2 M&G International Investors will receive copies of the annual and half-yearly short reports for the Fund on publication.

36.4 Documents of the Fund

(M&G International Investors should refer to Appendix 1)

- 36.4.1 The following documents may be inspected free of charge between 9.00 am and 5.00 pm UK time every Dealing Day at the offices of the ACD at Laurence Pountney Hill, London, EC4R 0HH:
- 36.4.1.1 the most recent annual and half-yearly reports of the Fund;
 - 36.4.1.2 the Instrument of Incorporation (and any amending instrument of incorporation);
 - 36.4.1.3 the Prospectus;
 - 36.4.1.4 Shareholders may obtain copies of the above documents from the above addresses. The ACD may make a charge at its discretion for copies of certain documents, however the most recent annual and half-yearly reports of the Fund, the Prospectus and the Instrument of Incorporation are available to any person free of charge.

36.5 Risk Management and other information

The following information is available from the ACD on request;

36.5.1 Risk Management

Information on the risk management methods used in relation to the Fund, the quantitative limits which apply to that risk management and any developments in the risk and yields of the main categories of investment.

36.5.2 Execution Policy

The Investment Manager's execution policy sets out the basis upon which the Investment Manager will effect transactions and place orders in relation to the Fund whilst complying with its obligations under the FCA Handbook to

obtain the best possible result for the ACD on behalf of the Fund.

36.5.3 Exercise of voting rights

A description of the Investment Manager's strategy for determining how voting rights attached to ownership of Scheme Property are to be exercised for the benefit of the Fund. Details of action taken in respect of voting rights are also available.

36.6 Management of collateral

In the context of OTC financial derivatives transactions and efficient portfolio management techniques, the Company may receive collateral with a view to reduce its counterparty risk. This section sets out the collateral management applied by the Company in such cases.

36.6.1 Eligible collateral

Collateral received by the Company may be used to reduce its counterparty risk exposure if it complies with the criteria set out in regulation notably in terms of liquidity, valuation, issuer credit quality, correlation, risks linked to the management of collateral and enforceability.

In particular, collateral should comply with the following conditions:

- 36.6.1.1 Any collateral received other than cash should be of high quality, highly liquid and traded on a regulated market or multilateral trading facility with transparent pricing in order that it can be sold quickly at a price that is close to pre-sale valuation;
- 36.6.1.2 It should be valued on at least a daily basis and assets that exhibit high price volatility should not be accepted as collateral unless suitably conservative haircuts are in place;
- 36.6.1.3 It should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;
- 36.6.1.4 It should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure of 20% of the Company's net asset value to any single issuer on an aggregate basis, taking into account all collateral received;
- 36.6.1.5 It should be capable of being fully enforced by the Company at any time without reference to or approval from the counterparty.

Subject to the abovementioned conditions, collateral received by the Company may consist of:
 - 36.6.1.6 liquid assets such as cash and cash equivalents, including short-term bank certificates and Money Market Instruments;
 - 36.6.1.7 bonds issued or guaranteed by a Member State of the OECD or by their local public authorities or by supranational institutions and undertakings with EU, regional or worldwide scope ;
 - 36.6.1.8 shares or units issued by money market Collective investment Schemes calculating a daily NAV and being assigned a rating of AAA or its equivalent;

36.6.1.9 shares or units by UCITS investing mainly in bonds/shares mentioned in 36.6.1.10 and 36.6.1.11 below,

36.6.1.10 bonds issued or guaranteed by first class issuers offering an adequate liquidity; and

36.6.1.11 shares admitted to or dealt in on a regulated market of an EU Member State or on a stock exchange of a member state of the OECD, on the condition that these shares are included in a main index.

A reinvestment of cash provided as collateral may only be effected where in compliance with the respective regulations.

36.6.2 Level of collateral

The Company will determine the required level of collateral for OTC financial derivatives transactions and efficient portfolio management techniques by reference to the applicable counterparty risk limits and taking into account the nature and characteristics of transactions, the creditworthiness and identity of counterparties and prevailing market conditions.

36.6.3 OTC financial derivative transactions

The Investment Manager will generally require the counterparty to an OTC derivative to post collateral in favour of the Company representing, at any time during the lifetime of the agreement, up to 100% of the Company's exposure under the transaction.

36.6.4 Haircut policy

Collateral acceptability and haircuts will depend on a number of factors including the asset pool available to the Company for posting as well as the asset types acceptable to the Company when receiving collateral, but will as a rule be of high quality, liquid and not display significant correlation with the counterparty under normal market conditions.

The taking of collateral is intended as a hedge against default risk, with haircuts seen as hedging the risk on that collateral. From this point of view, haircuts are an adjustment to the quoted market value of a collateral security to take account of the unexpected loss that may be faced due to the difficulty in realising that security in response to a default by the counterparty. By applying a haircut, the quoted market value of a collateral security is translated into a probable future liquidation or restoration value.

To this end therefore the haircuts that are applied are the result of a view of the credit and liquidity risk of the collateral and will become more "aggressive" depending on the asset type and maturity profile.

As at the date of this Prospectus, the Investment Manager typically accepts the following collateral types and applies the following haircuts in relation thereto:

Collateral type	Typical haircut
Cash	0%
Government Bonds	1% to 20%
Corporate Bonds	1% to 20%

The Investment Manager reserves the right to depart from the above haircut levels where it would be appropriate to do so, taking into account the assets' characteristics (such as the credit standing of the issuers, the maturity, the currency and the price volatility of the assets). Furthermore, the

Investment Manager reserves the right to accept collateral types other than those disclosed above.

No haircut will generally be applied to cash collateral.

36.6.5 Reinvestment of collateral

Non-cash collateral received by the Fund on behalf of a Company cannot be sold, reinvested or pledged, except where and to the extent permissible under regulations.

Cash collateral received by the Company can only be:

- 36.6.5.1 placed on deposit with credit institutions which have their registered office in an EU Member State or, if their registered office is located in a third-country, are subject to prudential rules considered by the FCA as equivalent to those laid down in EU law;
- 36.6.5.2 invested in high-quality government bonds;
- 36.6.5.3 used for the purpose of reverse repo transactions provided the transactions are with credit institutions subject to prudential supervision and the Company is able to recall at any time the full amount of cash on accrued basis; and/or
- 36.6.5.4 invested in short-term money market funds as defined in the ESMA Guidelines on a common definition of European Money Market Funds.

Any reinvestment of cash collateral should be sufficiently diversified in terms of country, markets and issuers with a maximum exposure, on an aggregate basis, of 20% of the Company's Net Asset Value to any single issuer. The Company may incur a loss in reinvesting the cash collateral it receives. Such a loss may arise due to a decline in the value of the investment made with cash collateral received. A decline in the value of such investment of the cash collateral would reduce the amount of collateral available to be returned by the Company to the counterparty at the conclusion of the transaction. The Company would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Company.

36.6 Notices

Notices to Shareholders will normally be given in writing to the Shareholder's registered address (or, at the discretion of the ACD, such other address which we may hold for the purposes of correspondence).

37 Preferential Treatment

- 37.1 From time to time the ACD may afford preferential terms of investment to certain groups of investors. In assessing whether such terms are afforded to an investor, the ACD will ensure that any such concession is not inconsistent with its obligation to act in the overall best interests of the relevant sub-fund and its investors. In particular, the ACD may typically exercise its discretion to waive the initial charge, or redemption charge, or investment minima for investment in a Class for investors that are investing sufficiently large amounts, either initially or are anticipated to do so over time, such as platform service providers and institutional investors including fund of fund investors. The ACD may also have agreements in place with such groups of investors which result in them paying a reduced annual management charge. Additionally, the ACD may grant similar preferential terms to the employees of companies within the Prudential Group of companies or their associates.

38 Complaints

If you wish to complain about any aspect of the service you have received or to request a copy of M&G's complaints handling procedures, please contact M&G Customer Relations, PO Box 9039, Chelmsford CM99 2XG. If your complaint is not dealt with to your satisfaction, you can then complain to: The Financial Ombudsman Service (FOS), Exchange Tower, London, E14 9SR.

39 Marketing outside the UK

- 39.1 The Fund's Shares are marketed outside the UK. Paying agents in countries other than the UK where Shares are registered for retail sale may charge investors for their services.
- 39.2 The Shares in the Fund have not been and will not be registered under the United States Securities Act of 1933, as amended, or registered or qualified under the securities laws of any state of the United States and may not be offered, sold, transferred or delivered, directly or indirectly, to any investors within the United States or to, or for the account of, US Persons except in certain limited circumstances pursuant to a transaction exempt from such registration or qualification requirements. None of the Shares have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Shares or the accuracy or adequacy of the prospectus. The Fund will not be registered under the United States Investment Company Act of 1940, as amended.

40 Markets for the Fund

The Fund is marketable to all retail and institutional investors.

41 Genuine diversity of ownership

- 41.1 Shares in the Fund are and will continue to be widely available. The intended categories of investors are retail and institutional investors.
- 41.2 Shares in the Fund are and will continue to be marketed and made available widely to reach the intended categories of investors and in a manner appropriate to attract those categories of investors.

Risk factors

M&G Dynamic Allocation Fund

42 Risk factors

General risks	Risk warning	
Risk to capital & Income will vary	The investments of the Fund are subject to normal market fluctuations and other risks inherent in investing in shares, bonds and other stock market related assets. There can be no assurance that any appreciation in value of investments will occur or that the investment objective will actually be achieved. The value of investments and the income from them will fall as well as rise and investors may not recoup the original amount they invested. Past performance is not a guide to future performance.	✓
Counterparty Risk	Whilst the Investment Manager will place transactions, hold positions (including OTC derivatives) and deposit cash with a range of counterparties, there is a risk that a counterparty may default on its obligations or become insolvent, which may put the Fund's capital at risk.	✓
Liquidity Risk	The Fund's investments may be subject to liquidity constraints which means that securities may trade infrequently and in small volumes. Normally liquid securities may also be subject to periods of significantly lower liquidity in difficult market conditions. As a result, changes in the value of investments may be more unpredictable and in certain cases, it may be difficult to deal a security at the last market price quoted or at a value considered to be fair.	✓
Suspension of dealing in shares	Investors are reminded that in exceptional circumstances their right to sell or redeem Shares may be temporarily suspended.	✓
Cancellation Risks	When cancellation rights are applicable and are exercised, the full amount invested may not be returned if the price falls before we are informed of your intention to cancel.	✓
Inflation	A change in the rate of inflation will affect the real value of your investment.	✓
Taxation	<p>The current tax regime applicable to investors in collective investment schemes in their country of residence or domicile and the UK schemes themselves is not guaranteed and may be subject to change. Any changes may have a negative impact on returns received by investors.</p> <p>The M&G Funds rely extensively on tax treaties to reduce domestic rates of withholding tax in countries where it invests. A risk exists that tax authorities in countries with which the United Kingdom has double tax treaties may, change their position on the application of the relevant tax treaty. As a consequence, higher tax may be suffered on investments (e.g. as a result of the imposition of withholding tax in that foreign jurisdiction). Accordingly, any such withholding tax may impinge upon the returns to the Fund and investors.</p> <p>In specific treaties which contain 'limitation of benefits' provisions (e.g. US), the tax treatment of the Fund may be affected by the tax profiles of investors in the fund as such treaties may require the majority of investors in the fund to be from the same jurisdiction. Failing to meet the limitation of benefits provision may result in increased withholding tax being suffered by the Fund.</p>	✓
Tax developments	<p>The tax regulations which M&G Funds are subject to constantly change as a result of (i) technical developments – changes in law regulations; (ii) interpretative developments – changes in the way tax authorities apply law and (iii) market practice – whilst tax law is in place, there may be difficulties applying the law in practice (e.g. due to operational constraints).</p> <p>Any changes to the tax regimes applicable to M&G Funds and investors in their country of residence or domicile may impact negatively on the returns received by investors.</p>	✓

Risk factors

M&G Dynamic Allocation Fund

42 Risk factors

Derivatives	Risk warning	
More Complex use of Derivative strategies	<p>The Fund undertakes transactions in derivatives and forward transactions, both on exchange and over the counter ("OTC"), for the purposes of meeting the investment objective, protecting the risk to capital, currency, duration and credit management, as well as for hedging.</p> <p>The Risk Management Process document sets out the approved derivative strategies.</p>	✓
Correlation (Basis risk)	<p>Correlation risk is the risk of loss due to divergence between two rates or prices. This applies particularly where an underlying position is hedged through derivative contracts which are not the same as (but may be similar to) the underlying position.</p>	✓
Valuation	<p>Valuation risk is the risk of differing valuations of derivatives arising from different permitted valuation methods. Many derivatives, in particular non-exchange traded ("OTC") derivatives, are complex and often valued subjectively and the valuation can only be provided by a limited number of market professionals who are often also the counterparty to the transaction. As a result, the daily valuation may differ from the price that can actually be achieved when trading the position in the market.</p>	✓
Liquidity	<p>Liquidity risk exists when a particular instrument is difficult to purchase or sell. Derivative transactions that are particularly large or traded off market (i.e. over the counter), may be less liquid and therefore not readily adjusted or closed out. Where it is possible to buy or sell, this may be at a price that differs from the price of the position as reflected in the valuation.</p>	✓
"Daylight Risk" to Counterparty	<p>Certain derivative types may require the establishment of a long term exposure to a single counterparty which increases the risk of counterparty default or insolvency. While these positions are collateralised, there is a residual risk between both the mark to market and the receipt of the corresponding collateral as well as between the final settlement of the contract and the return of any collateral amount, this risk is referred to as daylight risk. In certain circumstances, the physical collateral returned may differ from the original collateral posted. This may impact the future returns of the Fund.</p>	✓
Delivery	<p>The Fund's ability to settle derivative contracts on their maturity may be affected by the level of liquidity in the underlying asset. In such circumstances, there is a risk of loss to the Fund.</p>	✓
Legal risk	<p>Derivative transactions are typically undertaken under separate legal arrangements. In the case of over the counter ("OTC") derivatives, a standard International Swaps and Derivatives Association ("ISDA") agreement is used to govern the trade between the sub-fund and the counterparty. The agreement covers situations such as a default of either party and also the delivery and receipt of collateral.</p> <p>As a result, there is a risk of loss to the Fund where liabilities in those agreements are challenged in a court of law.</p>	✓
Volatility related to the use of leverage	<p>Derivatives may be used to generate market exposure to investments exceeding the net asset value of the Fund, thereby exposing the Fund to a higher degree of risk than an equivalent Fund that does not use derivatives. As a result of this exposure, the size of any positive or negative movement in markets may have a more significant effect on the net asset value of the Fund.</p>	✓
Short Sales	<p>The Fund may take short positions through the use of derivatives which are not backed by equivalent physical assets. Short positions reflect an investment view that the price of the underlying asset is expected to fall in value. Accordingly, if this view is incorrect and the asset rises in value, the short position could involve losses of the Fund's capital due to the theoretical possibility of an unlimited rise in their market price.</p> <p>However, shorting strategies are actively managed by the Investment Manager such that the extent of the losses will be limited.</p>	✓
Currency Strategies	<p>Funds which use currency management strategies may have substantially altered exposures to currency exchange rates. Should these currencies not perform as the Investment Manager expects, the strategy may have a negative effect on performance.</p>	✓

Risk factors

M&G Dynamic Allocation Fund

42 Risk factors

Fund specific risks	Risk warning	
Currency & exchange rate risk	Currency exchange rate fluctuations will impact the value of a sub fund which holds currencies or assets denominated in currencies that differ from the valuation currency of the Fund.	✓
Currency risk on unhedged share classes	Currency exchange rate fluctuations will impact the value of unhedged share classes where the currency of the share class differs from that of the base currency of the Fund.	✓
Interest rate risk	Interest rate fluctuations will affect the capital and income value of investments within funds Funds that invest substantially in fixed income investments. This effect will be more apparent if the Fund holds a significant proportion of its portfolio in long dated securities.	✓
Credit Risk	The value of the Fund will fall in the event of the default or perceived increased credit risk of an issuer. This is because the capital and income value and liquidity of the investment is likely to decrease. AAA rated government and corporate bonds have a relatively low risk of default compared to non-investment grade bonds. However, the ratings are subject to change and they may be downgraded. The lower the rating the higher the risk of default.	✓
Emerging Markets	<p>Securities markets in emerging market countries are generally not as large as those in more developed economies and have substantially less dealing volume which can result in lack of liquidity.</p> <p>Accordingly, where a Fund invests substantially in securities listed or traded in such markets, its net asset value may be more volatile than a fund that invests in the securities of companies in developed countries.</p> <p>Substantial limitations may exist in certain countries with respect to repatriation of investment income or capital or the proceeds of sale of securities to foreign investors or by restriction on investment, all of which could adversely affect the Fund.</p> <p>Many emerging markets do not have well developed regulatory systems and disclosure standards. In addition, accounting, auditing and financial reporting standards, and other regulatory practices and disclosure requirements (in terms of the nature quality and timeliness of information disclosed to investors) applicable to companies in emerging markets are often less rigorous than in developed markets. Accordingly, investment opportunities may be more difficult to properly assess.</p> <p>Adverse market and political conditions arising in a specific emerging market country may spread to other countries within the region.</p> <p>Political risks and adverse economic circumstances (including the risk of expropriation and nationalisation) are more likely to arise in these markets, putting the value of the investment at risk.</p> <p>These factors may lead to temporary suspension of dealing units in the Fund.</p>	✓
Funds investing in a specific countries, regions, sectors and assets classes	Funds investing in specific countries, regions, sectors and asset classes may be more volatile and carry a higher risk to capital than Funds investing in a broader investment universe. This is because the former are more vulnerable to market sentiment specific to the country region/sector/asset class in which they invest compared with the latter which may be invested across several regions, sectors and asset classes.	✓

Risk factors

M&G Dynamic Allocation Fund

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Fund specific risks	Risk warning	
Hedged Share classes - no segregation of liabilities between share classes in a fund	Gains or losses arising from currency hedging transactions are borne by the Shareholders of the respective hedged Share Classes. Given that there is no segregation of liabilities between Share Classes, there is a risk that, under certain circumstances, the settlement of currency hedging transactions or the requirement for collateral (if such activity is collateralised) in relation to one Share Class could have an adverse impact on the net asset value of the other Share Classes in issue.	✓
Hedged share class implications for specific share class	<p>The Investment Manager will undertake transactions specifically to reduce the exposure of holders of hedged Share Classes to movements in the material currencies within a Fund's portfolio (look through) or to movements in the base currency of the Fund (replication), as appropriate. The hedging strategy employed will not completely eliminate the exposure of the hedged Share Classes to currency movements and no assurance can be given that the hedging objective will be achieved. Investors should be aware that the hedging strategy may substantially limit Shareholders of the relevant hedged Share Class from benefiting if the hedged Share Class currency falls against the reference currency. Notwithstanding the hedging of the Share Classes described above, Shareholders in those Share Classes may still be exposed to an element of currency exchange rate risk.</p> <p>During periods when interest rates across currency areas are very similar, the interest rate differential (IRD) is very small, the impact on hedged share class returns is low. However, in an environment where interest rates are significantly different between the Fund's exposure currency and the hedged share class currency, the IRD will be higher and the performance difference will be greater.</p>	✓
Share class hedging methodology	The Investment Manager undertakes hedging transactions to reduce the effect of exchange rate fluctuations between the currency of the hedged share classes and the Euro.	✓
Eurozone	There is a risk that one or more countries will exit the Euro and re-establish their own currencies. In light of this uncertainty or in the event that this does occur, there is an increased risk of volatility in asset values, liquidity and default risk. In addition, there is a risk that disruption in Eurozone markets could give rise to difficulties in valuing the assets of the Fund. In the event that it is not possible to carry out an accurate valuation of the Fund, dealing may be temporarily suspended.	✓
Liabilities of the Fund	Shareholders are not liable for the debts of the Fund. A Shareholder is not liable to make any further payment to the Fund after he has paid in full for the purchase of Shares.	✓
Negative interest rates	Cash or money market instruments held in the Fund are subject to the prevailing interest rates in the specific currency of the asset. There may be situations where the interest rate environment results in rates turning negative. In such situations the Fund may have to pay to have money on deposit or hold the money market instrument.	✓

Appendix 1 -

Details of the M&G Dynamic Allocation Fund

Please note that Euro Share Classes are only available to M&G International Investors.

Investment Objective

The Fund aims to deliver positive total returns in any three year period from a flexibly managed portfolio of global assets. There is no guarantee that the Fund will achieve a positive return over this, or any other, period and investors may not recoup the original amount they invested.

Investment Policy

The Fund invests in multiple asset classes and is managed through the allocation of capital based on the fund manager's macroeconomic outlook, asset class valuations and active risk management in portfolio construction. The Fund is not managed against any market index.

Depending on the fund manager's view of market conditions and relative asset valuations, at any one time the portfolio may be diversified across asset classes, sectors, currencies and countries, or may have a high concentration in one or more of these.

The Fund seeks to participate in a variety of rising asset values; in times of severe market uncertainty, however, capital preservation will be central to the Fund's strategy. The fund manager may use derivatives strategies to create value through additional asset exposure and/or where these may help to manage portfolio risk.

Whilst the Fund aims to deliver positive total returns in any three year period there is no guarantee that this will be achieved.

The Fund may invest in a range of equities, fixed income assets and other assets, including collective investment schemes, other transferable securities, cash and near cash, deposits, warrants and money market instruments. Derivatives may also be used, for both hedging and investment purposes.

Other information:

The Company is a master UCITS and will not hold units in a feeder UCITS.

Investor Profile

The Fund is suitable for retail and institutional investors seeking a positive Euro return in a variety of market conditions from a range of assets on a global basis over the medium to long term. The Fund is suitable for investors who appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise. Investors should seek professional advice before investing. It is important to diversify your investments sufficiently to avoid being exposed solely to the risks of a single Fund.

Accounting reference date:	31 March
Income allocation dates:	On or before 31 July (Final); 31 October (Interim); 31 January (Interim); 30 April (Interim)
Share Classes/types in issue or available for issue*:	Sterling Class A-H (hedged) – Net Accumulation and Net Income Euro Class A – Net Accumulation and Net Income Euro Class B – Net Accumulation Euro Class C – Net Accumulation and Net Income U.S. Dollar Class A-H (hedged) – Net Accumulation and Net Income U.S. Dollar Class C-H (hedged) – Net Accumulation and Net Income Swiss Franc A-H (hedged) – Net Accumulation Swiss Franc C-H (hedged) – Net Accumulation Singapore Dollar Class A-H (hedged) – Net Accumulation and Net Income Singapore Dollar Class C-H (hedged) – Net Accumulation and Net Income

Investment minima

Lump sum initial investment	Sterling Class A-H: £500 Euro Class A: €1,000 Euro Class B: €1,000 Euro Class C: €500,000 U.S. Dollar Class A-H: \$1,000 U.S. Dollar Class C-H: \$500,000 Swiss Franc Class A-H: CHF1,000 Swiss Franc Class C-H: CHF500,000 Singapore Dollar Class A-H: S\$1,000 Singapore Dollar Class C-H: S\$500,000
Lump sum subsequent investment	Sterling Class A-H: £10 Euro Class A: €75 Euro Class B: €75 Euro Class C: €50,000 U.S. Dollar Class A-H: \$75 U.S. Dollar Class C-H: \$50,000 Swiss Franc Class A-H: CHF75 Swiss Franc Class C-H: CHF50,000 Singapore Dollar Class A-H: S\$75 Singapore Dollar Class C-H: S\$50,000
Lump sum holding	Sterling Class A-H: £500 Euro Class A: €1,000 Euro Class B: €1,000 Euro Class C: €500,000 U.S. Dollar Class A-H: \$1,000 U.S. Dollar Class C-H: \$500,000 Swiss Franc Class A-H: CHF1,000 Swiss Franc Class C-H: CHF500,000 Singapore Dollar Class A-H: S\$1,000 Singapore Dollar Class C-H: S\$500,000
Redemption	Sterling Class A-H: £10 Euro Class A: €75 Euro Class B: €75 Euro Class C: €50,000 U.S. Dollar Class A-H: \$75 U.S. Dollar Class C-H: \$50,000 Swiss Franc Class A-H: CHF75 Swiss Franc Class C-H: CHF50,000 Singapore Dollar Class A-H: S\$75 Singapore Dollar Class C-H: S\$50,000

Appendix 1 -

Details of the M&G Dynamic Allocation Fund

Charges and Expenses

Initial charge	Sterling Class A-H: 4%
	Euro Class A: 4%
	Euro Class B: 1.25%
	Euro Class C: 1.25%
	U.S. Dollar Class A-H: 4%
	U.S. Dollar Class C-H: 1.25%
	Swiss Franc Class A-H: 4%
	Swiss Franc Class C-H: 1.25%
	Singapore Dollar Class A-H: 4%
Singapore Dollar Class C-H: 1.25%	
Annual Management Charge	Sterling Class A-H: 1.5%
	Euro Class A: 1.75%
	Euro Class B: 2.25%
	Euro Class C: 0.75%
	U.S. Dollar Class A-H: 1.75%
	U.S. Dollar Class C-H: 0.75%
	Swiss Franc Class A-H: 1.75%
	Swiss Franc Class C-H: 0.75%
	Singapore Dollar Class A-H: 1.75%
Singapore Dollar Class C-H: 0.75%	
Share class hedging fee	Sterling Class A-H: 0.01% to 0.055%
	U.S. Dollar Class A-H: 0.01% to 0.055%
	U.S. Dollar Class C-H: 0.01% to 0.055%
	Swiss Franc Class A-H: 0.01% to 0.055%
	Swiss Franc Class C-H: 0.01% to 0.055%
	Singapore Dollar Class A-H: 0.01% to 0.055%
Singapore Dollar Class C-H: 0.01% to 0.055%	
Administration Charge	Sterling Class A-H: 0.15%
	Euro Class A: 0.15%
	Euro Class B: 0.15%
	Euro Class C: 0.15%
	U.S. Dollar Class A-H: 0.15%
	U.S. Dollar Class C-H: 0.15%
	Swiss Franc Class A-H: 0.15%
	Swiss Franc Class C-H: 0.15%
	Singapore Dollar Class A-H: 0.15%
Singapore Dollar Class C-H: 0.15%	
Depository Charge	See section 29.4
Custody Charge	See section 29.5
Custody Transaction Charges	See section 29.6

Allocation of Charges

Annual Management Charge	100% to Income
Administration Charge	100% to Income
Share Class Hedging Charge	100% to Income
Depository's Charge	100% to Income
Annual Custody Charge	100% to Income
Custody Transaction Charges	100% to Capital
Expenses	100% to Income
Portfolio Transaction Charges	100% to Capital

Please note the above Charges and Expenses section is a summary and does not set out all charges and expenses payable by the Sub-funds. For further detail and an explanation of the terms used, please see section 29 above.

Where the Fund invests in another M&G Group scheme, M&G will fully rebate the annual management charge of the underlying fund.

Other information

Investment Manager:	M&G Investment Management Limited
Launch date:	3 December 2009
Valuation point:	12.00 noon UK time
Initial offer period:	08.00 am - 12.00 noon on 3 December 2009
Initial offer price of Shares:	€10

* Please see www.mandg.com/classesinissue for details of which share classes are currently being issued.

Appendix 2 -

Investment management and borrowing powers of the Fund

1 The ACD's investment policy may mean that at times, where it is considered appropriate, the property of the Fund will not be fully invested and that prudent levels of liquidity will be maintained.

1.1 Treatment of obligations

Where the COLL Sourcebook allows a transaction to be entered into or an investment to be retained only (for example, investment in warrants and nil and partly paid securities and the general power to accept or underwrite) if possible obligations arising out of the investment transactions or out of the retention would not cause any breach of any limits in COLL 5, it must be assumed that the maximum possible liability of the Fund under any other of those rules has also to be provided for.

Where a rule in the COLL Sourcebook permits an investment transaction to be entered into or an investment to be retained only if that investment transaction, or the retention, or other similar transactions, are covered:

- 1.1.1 it must be assumed that in applying any of those rules, no element of cover must be used more than once.

1.2 UCITS schemes: permitted types of scheme property

The scheme property of the Fund must, except where otherwise provided by COLL 5, consist solely of any or all of:

- 1.2.1 transferable securities;
- 1.2.2 approved money-market instruments;
- 1.2.3 units in collective investment schemes;
- 1.2.4 derivatives and forward transactions;
- 1.2.5 deposits; and
- 1.2.6 movable and immovable property that is necessary for the direct pursuit of the Fund's business;

in accordance with the rules in COLL 5.2.

1.3 Transferable Securities

- 1.3.1 A transferable security is an investment falling within article 76 (Shares etc), article 77 (Instruments creating or acknowledging indebtedness), article 78 (Government and public securities), article 79 (Instruments giving entitlement to investments) and article 80 (Certificates representing certain securities) of the Regulated Activities Order.
- 1.3.2 An investment is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party.
- 1.3.3 In applying paragraph 1.3.2 to an investment which is issued by a body corporate, and which is an investment falling within articles 76 (Shares, etc) or 77 (Instruments creating or acknowledging indebtedness) of the Regulated Activities Order, the need for any consent on the part of the body corporate or any members or debenture holders of it may be ignored.
- 1.3.4 An investment is not a transferable security unless the liability of the holder of it to contribute to the debts of the issuer is limited to any amount for the time being unpaid by the holder of it in respect of the investment.

2 Investment in transferable securities

- 2.1 The Fund may invest in a transferable security only to the extent that the transferable security fulfils the following criteria:
- 2.1.1 the potential loss which the Fund may incur with respect to holding the transferable security is limited to the amount paid for it;

- 2.1.2 its liquidity does not compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying Shareholder (see COLL 6.2.16R(3));

- 2.1.3 reliable valuation is available for it as follows:

2.1.3.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there are accurate, reliable and regular prices which are either market prices or prices made available by valuation systems independent from issuers;

2.1.3.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is a valuation on a periodic basis which is derived from information from the issuer of the transferable security or from competent investment research;

- 2.1.4 appropriate information is available for it as follows:

2.1.4.1 in the case of a transferable security admitted to or dealt in on an eligible market, where there is regular, accurate and comprehensive information available to the market on the transferable security or, where relevant, on the portfolio of the transferable security;

2.1.4.2 in the case of a transferable security not admitted to or dealt in on an eligible market, where there is regular and accurate information available to the ACD on the transferable security or, where relevant, on the portfolio of the transferable security;

- 2.1.5 it is negotiable; and

- 2.1.6 its risks are adequately captured by the risk management process of the ACD.

- 2.2 Unless there is information available to the ACD that would lead to a different determination, a transferable security which is admitted to or dealt in on an eligible market shall be presumed:

2.2.1 not to compromise the ability of the ACD to comply with its obligation to redeem units at the request of any qualifying Shareholder; and

2.2.2 to be negotiable.

- 2.3 Not more than 5% in value of the Fund is to consist of warrants.

3 Closed end funds constituting transferable securities

- 3.1 A unit in a closed end fund shall be taken to be a transferable security for the purposes of investment by the Fund, provided it fulfils the criteria for transferable securities set out in section 2, and either:

- 3.1.1 where the closed end fund is constituted as an investment company or a unit trust:

3.1.1.1 it is subject to corporate governance mechanisms applied to companies; and

3.1.1.2 where another person carries out asset management activity on its behalf, that person is subject to national regulation for the purpose of investor protection; or

- 3.1.2 where the closed end fund is constituted under the law of contract:

3.1.2.1 it is subject to corporate governance mechanisms equivalent to those applied to companies; and

Appendix 2 -

Investment management and borrowing powers of the Fund

- 3.1.2.2 it is managed by a person who is subject to national regulation for the purpose of investor protection.

4 Transferable securities linked to other assets

- 4.1 The Fund may invest in any other investment which shall be taken to be a transferable security for the purposes of investment by the Fund provided the investment:
- 4.1.1 fulfils the criteria for transferable securities set out in section 2 above; and
- 4.1.2 is backed by or linked to the performance of other assets, which may differ from those in which the Fund can invest.
- 4.2 Where an investment in 4.1 contains an embedded derivative component (see COLL 5.2.19R(3A)), the requirements of this section with respect to derivatives and forwards will apply to that component.

5 Approved Money Market Instruments

- 5.1 An approved money-market instrument is a money-market instrument which is normally dealt in on the money market, is liquid and has a value which can be accurately determined at any time.
- 5.2 A money-market instrument shall be regarded as normally dealt in on the money market if it:
- 5.2.1 has a maturity at issuance of up to and including 397 days;
- 5.2.2 has a residual maturity of up to and including 397 days;
- 5.2.3 undergoes regular yield adjustments in line with money market conditions at least every 397 days; or
- 5.2.4 has a risk profile, including credit and interest rate risks, corresponding to that of an instrument which has a maturity as set out in 5.2.1 or 5.2.2 or is subject to yield adjustments as set out in 5.2.3.
- 5.3 A money-market instrument shall be regarded as liquid if it can be sold at limited cost in an adequately short time frame, taking into account the obligation of the ACD to redeem units at the request of any qualifying Shareholder (see COLL 6.2.16R(3)).
- 5.4 A money-market instrument shall be regarded as having a value which can be accurately determined at any time if accurate and reliable valuations systems, which fulfil the following criteria, are available:
- 5.4.1 enabling the ACD to calculate a net asset value in accordance with the value at which the instrument held in the portfolio could be exchanged between knowledgeable willing parties in an arm's length transaction; and
- 5.4.2 based either on market data or on valuation models including systems based on amortised costs.
- 5.5 A money-market instrument that is normally dealt in on the money market and is admitted to or dealt in on an eligible market shall be presumed to be liquid and have a value which can be accurately determined at any time unless there is information available to the ACD that would lead to a different determination.

6 Transferable securities and money market instruments generally to be admitted or dealt in on an Eligible Market

- 6.1 Transferable securities and approved money market instruments held within the Fund must be:
- 6.1.1 admitted to or dealt on an eligible market (as described in paragraphs 7.3 or 7.4); or
- 6.1.2 dealt on an eligible market as described (in paragraph 7.3.2).

- 6.1.3 for an approved money market instrument not admitted to or dealt in on an eligible market within 8.1; or

- 6.1.4 recently issued transferable securities provided that:

- 6.1.4.1 the terms of issue include an undertaking that application will be made to be admitted to an eligible market; and

- 6.1.4.2 such admission is secured within a year of issue.

- 6.2 However, the Fund may invest no more than 10% of the scheme property in transferable securities and approved money-market instruments other than those referred to in 6.1

7 Eligible markets regime: purpose

- 7.1 To protect investors the markets on which investments of the Fund are dealt in or traded on should be of an adequate quality ("eligible") at the time of acquisition of the investment and until it is sold.
- 7.2 Where a market ceases to be eligible, investments on that market cease to be approved securities. The 10% restriction on investing in non approved securities applies and exceeding this limit because a market ceases to be eligible will generally be regarded as an inadvertent breach.
- 7.3 A market is eligible for the purposes of the rules if it is:
- 7.3.1 a regulated market; or
- 7.3.2 a market in an EEA State which is regulated, operates regularly and is open to the public; or
- 7.3.3 any market within 7.4
- 7.4 A market not falling within paragraph 7.3 is eligible for the purposes of COLL 5 if:
- 7.4.1 the ACD, after consultation with and notification to the Depositary, decides that market is appropriate for investment of, or dealing in, the Scheme Property;
- 7.4.2 the market is included in a list in the Prospectus; and
- 7.4.3 the Depositary has taken reasonable care to determine that:
- adequate custody arrangements can be provided for the investment dealt in on that market; and
- all reasonable steps have been taken by the ACD in deciding whether that market is eligible.
- 7.5 In paragraph 7.4.1, a market must not be considered appropriate unless it is regulated, operates regularly, is recognised as a market or exchange or as a self regulatory organisation by an overseas regulator, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors.
- 7.6 The eligible markets in which the Fund may invest are set out in Appendix 3.

8 Money-market instruments with a regulated issuer

- 8.1 In addition to instruments admitted to or dealt in on an eligible market, the Fund may invest in an approved money-market instrument provided it fulfils the following requirements:
- 8.1.1 the issue or the issuer is regulated for the purpose of protecting investors and savings; and
- 8.1.2 the instrument is issued or guaranteed in accordance with section 9 below.

Appendix 2 -

Investment management and borrowing powers of the Fund

8.2 The issue or the issuer of a money-market instrument, other than one dealt in on an eligible market, shall be regarded as regulated for the purpose of protecting investors and savings if:

- 8.2.1 the instrument is an approved money-market instrument;
- 8.2.2 appropriate information is available for the instrument (including information which allows an appropriate assessment of the credit risks related to investment in it), in accordance with section 10 below; and
- 8.2.3 the instrument is freely transferable.

9 Issuers and guarantors of money-market instruments

9.1 The Fund may invest in an approved money-market instrument if it is:

- 9.1.1 issued or guaranteed by any one of the following:
 - 9.1.1.1 a central authority of an EEA State or, if the EEA State is a federal state, one of the members making up the federation;
 - 9.1.1.2 a regional or local authority of an EEA State;
 - 9.1.1.3 the European Central Bank or a central bank of an EEA State;
 - 9.1.1.4 the European Union or the European Investment Bank;
 - 9.1.1.5 a non-EEA State or, in the case of a federal state, one of the members making up the federation;
 - 9.1.1.6 a public international body to which one or more EEA States belong; or
- 9.1.2 issued by a body, any securities of which are dealt in on an eligible market; or
- 9.1.3 issued or guaranteed by an establishment which is:
 - 9.1.3.1 subject to prudential supervision in accordance with criteria defined by Community law; or
 - 9.1.3.2 subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by Community law.

9.2 An establishment shall be considered to satisfy the requirement in 9.1.3.2 if it is subject to and complies with prudential rules, and fulfils one or more of the following criteria:

- 9.2.1 it is located in the European Economic Area;
- 9.2.2 it is located in an OECD country belonging to the Group of Ten;
- 9.2.3 it has at least investment grade rating;
- 9.2.4 on the basis of an in-depth analysis of the issuer, it can be demonstrated that the prudential rules applicable to that issuer are at least as stringent as those laid down by Community law.

10 Appropriate information for money-market instruments

10.1 In the case of an approved money-market instrument within 9.1.2 or issued by a body of the type referred to in 11 below; or which is issued by an authority within 9.1.1.2 or a public international body within 9.1.1.6 but is not guaranteed by a central authority within 9.1.1.1, the following information must be available:

- 10.1.1 information on both the issue or the issuance programme, and the legal and financial situation of the issuer prior to the issue of the instrument, verified by appropriately qualified third parties not subject to instructions from the issuer;
- 10.1.2 updates of that information on a regular basis and whenever a significant event occurs; and
- 10.1.3 available and reliable statistics on the issue or the issuance programme.

10.2 In the case of an approved money-market instrument issued or guaranteed by an establishment within 9.1.3, the following information must be available:

- 10.2.1 information on the issue or the issuance programme or on the legal and financial situation of the issuer prior to the issue of the instrument;
- 10.2.2 updates of that information on a regular basis and whenever a significant event occurs; and
- 10.2.3 available and reliable statistics on the issue or the issuance programme, or other data enabling an appropriate assessment of the credit risks related to investment in those instruments.

10.3 In the case of an approved money-market instrument:

- 10.3.1 within 9.1.1.1, 9.1.1.4 or 9.1.1.5; or
 - 10.3.2 which is issued by an authority within 9.1.1.2 or a public international body within 9.1.1.6 and is guaranteed by a central authority within 9.1.2.1;
- information must be available on the issue or the issuance programme, or on the legal and financial situation of the issuer prior to the issue of the instrument.

11 Spread: general

11.1 This section 11 on spread does not apply to government and public securities.

11.2 For the purposes of this requirement companies included in the same group for the purposes of consolidated accounts as defined in accordance with Directive 83/349/EEC or in the same group in accordance with international accounting standards are regarded as a single body.

11.3 Not more than 20% in value of the Scheme Property is to consist of deposits with a single body.

11.4 Not more than 5% in value of the Scheme Property is to consist of transferable securities or approved money-market instruments issued by any single body.

11.5 The limit of 5% in paragraph 11.4 is raised to 10% in respect of up to 40% in value of the Scheme Property. Covered bonds need not be taken into account for the purpose of applying the limit of 40%. The limit of 5% in 11.4 is raised to 25% in value of the Scheme Property in respect of covered bonds, provided that when the Fund invests more than 5% in covered bonds issued by a single body, the total value of covered bonds held must not exceed 80% in value of the Scheme Property.

11.6 In applying paragraphs 11.4 and 11.5 certificates representing certain securities are treated as equivalent to the underlying security.

Appendix 2 -

Investment management and borrowing powers of the Fund

- 11.7 The exposure to any one counterparty in an OTC derivative transaction must not exceed 5% in value of the Scheme Property. This limit is raised to 10% where the counterparty is an Approved Bank.
- 11.8 Not more than 20% in value of the Fund is to consist of transferable securities and approved money market instruments issued by the same group (as referred to in paragraph 11.2).
- 11.9 Not more than 10% in value of the Fund is to consist of the units of any one collective investment scheme.
- 11.10 In applying the limits in paragraphs 11.3, 11.4, 11.5, 11.6 and 11.7 not more than 20% in value of the Scheme Property is to consist of any combination of two or more of the following:
- 11.10.1 transferable securities (including covered bonds) or approved money market instruments issued by; or
 - 11.10.2 deposits made with; or
 - 11.10.3 exposures from OTC derivatives transactions made with; a single body.
- 11.11 For the purpose of calculating the limits in 11.7 and 11.10, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the conditions specified in 11.12.
- 11.12 The conditions referred to in 11.11 are that the collateral:
- 11.12.1 is marked-to-market on a daily basis and exceeds the value of the amount at risk;
 - 11.12.2 is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;
 - 11.12.3 is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and
 - 11.12.4 can be fully enforced by the Fund at any time.
- 11.13 For the purpose of calculating the limits in 11.7 and 11.10, OTC derivative positions with the same counterparty may be netted provided that the netting procedures:
- 11.13.1 comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to Directive 2000/12/EC; and
 - 11.13.2 are based on legally binding agreements.
- 11.14 In applying this rule, all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:
- 11.14.1 it is backed by an appropriate performance guarantee; and
 - 11.14.2 it is characterised by a daily mark-to-market valuation of the derivative positions and an at least daily margining.
- ### 12 Spread: Government and public securities
- 12.1 The above restrictions do not apply to government and public securities ("such securities"). The restrictions in relation to such securities are set out below.
- 12.2 Where no more than 35% in value of the Scheme Property is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.
- 12.3 The Fund may invest more than 35% in value of the Scheme Property in such securities issued by any one body provided that:
- 12.3.1 the ACD has before any such investment is made consulted with the Depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objective of the Fund;
 - 12.3.2 no more than 30% in value of the Scheme Property consists of such securities of any one issue;
 - 12.3.3 the Scheme Property includes such securities issued by that or another issuer, of at least six different issues.
- 12.4 In relation to such securities:
- 12.4.1 issue, issuer and issuer include guarantee, guaranteed and guarantor; and
 - 12.4.2 an issue differs from another if there is a difference as to repayment date, rate of interest, guarantor or other material terms of the issue.
- 12.5 Notwithstanding paragraph 11.1 above, and subject to paragraphs 12.2 and 12.3, in applying the 20% limit in 11.11 with respect to a single body, government and public securities issued by that body shall be taken into account.
- 12.6 The Scheme Property of the Fund may be invested in Government and other public securities issued by any of:
- 12.6.1 the Government of the United Kingdom or of a member State other than the United Kingdom;
 - 12.6.2 the Government of Australia, Canada, Japan, New Zealand, Switzerland, USA;
 - 12.6.3 the African Development Bank, Asian Development Bank, Eurofima, European Economic Community, European Bank for Reconstruction and Development, European Investment Bank, International Bank for Reconstruction and Development, International Financial Corporation.
- ### 13 Investment in collective investment schemes
- 13.1 The Fund may invest in units in a collective investment scheme provided that the second scheme complies with the following requirements:
- 13.1.1 it is a scheme which complies with the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or
 - 13.1.2 is recognised under the provisions of section 272 of the Act (Individually recognised overseas schemes) that is authorised by the supervisory authorities of Guernsey, Jersey or the Isle of Man (provided the requirements of article 50(1)(e) of the UCITS Directives are met); or
 - 13.1.3 is authorised as a non-UCITS retail scheme (provided the requirements of article 50(1)(e) of the UCITS Directive are met); or
 - 13.1.4 is authorised in another EEA State (provided the requirements of article 50(1)(e) of the UCITS Directive are met);
 - 13.1.5 be authorised by the competent authority of an OECD member country (other than another EEA State) which has:
 - (a) signed the IOSCO Multilateral Memorandum of Understanding; and
 - (b) approved the scheme's management company, rules and depositary/custody arrangements;
 - 13.1.6 it is a scheme which complies where relevant with paragraph 13.4 below; and
 - 13.1.7 it is a scheme which has terms which prohibit more than 10% in value of the Scheme Property consisting of units in collective investment schemes.
- 13.2 Not more than 10% of the Scheme Property of the Fund is to consist of units in collective investment schemes.

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- 13.3 In accordance with COLL 5.2.15R the Fund may invest up to 10% of its Scheme property units in collective investment schemes managed or operated by (or, if it is an open-ended investment company has as its authorised corporate director), the ACD or an Associate of the ACD.
- 13.4 The Fund must not invest in or dispose of units in another collective investment scheme (the second scheme), which is managed or operated by (or in the case of an open-ended investment company has as its authorised corporate director), the ACD, or an Associate of the ACD, unless:
- 13.4.1 there is no charge in respect of the investment in or the disposal of units in the second scheme; or
- 13.4.2 the ACD is under a duty to pay to the Fund by the close of business on the fourth business day next after the agreement to buy or to sell the amount referred to in paragraphs 13.4.3 and 13.4.4;
- 13.4.3 on investment, either:
- any amount by which the consideration paid by the Fund for the units in the second scheme exceeds the price that would have been paid for the benefit of the second scheme had the units been newly issued or sold by it; or
- if such price cannot be ascertained by the ACD, the maximum amount of any charge permitted to be made by the seller of units in the second scheme;
- 13.4.4 on disposal, the amount of any charge made for the account of the ACD or operator of the second scheme or an Associate of any of them in respect of the disposal; and
- 13.5 In paragraphs 13.4.1 to 13.4.4 above:
- 13.5.1 any addition to or deduction from the consideration paid on the acquisition or disposal of units in the second scheme, which is applied for the benefit of the second scheme and is, or is like, a dilution levy or SDRT provision, is to be treated as part of the price of the units and not as part of any charge.
- ### 14 Investment in nil and partly paid securities
- 14.1 A transferable security or an approved money market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Fund, at the time when payment is required, without contravening the rules in COLL 5.
- ### 15 Derivatives – General
- 15.1 The Fund may, in accordance with the COLL Sourcebook, use derivatives for the purposes of Efficient Portfolio Management (including hedging) as well as for investment purposes.
- 15.2 Under the COLL Sourcebook derivatives are permitted for the Fund for investment purposes and derivative transactions may be used for the purposes of hedging or meeting the investment objective or both.
- 15.3 A transaction in derivatives or a forward transaction must not be effected for the Fund unless the transaction is of a kind specified in section 16 below (Permitted transactions (derivatives and forwards)); and the transaction is covered, as required by section 28 (Cover for transactions in derivatives and forward transactions).
- 15.4 Where the Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in COLL in relation to spread (COLL 5.2.13 R Spread : general and COLL 5.2.14 R Spread : government and public securities) except for index based derivatives where the rules below apply.
- 15.5 Where a transferable security or approved money market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section.
- 15.6 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:
- 15.6.1 by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;
- 15.6.2 its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and
- 15.6.3 it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.
- 15.6.4 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument.
- 15.7 Where a scheme invests in an index based derivative, provided the relevant index falls within section 17 (Financial indices underlying derivatives) the underlying constituents of the index do not have to be taken into account for the purposes of the rules on spread in COLL. The relaxation is subject to the ACD continuing to ensure that the Scheme Property provides a prudent spread of risk.
- Please refer to section 42 above for a description of the risk factors associated with investments in derivatives.**
- ### 16 Permitted transactions (derivatives and forwards)
- 16.1 A transaction in a derivative must be in an approved derivative; or be one which complies with section 20 (OTC transactions in derivatives).
- 16.2 A transaction in a derivative must have the underlying consisting of any or all of the following to which the scheme is dedicated:
- 16.2.1 transferable securities permitted under section 6 (Transferable securities and approved money market instruments generally to be admitted or dealt in on an Eligible Market);
- 16.2.2 approved money market instruments permitted under paragraph 5 (approved money market instruments) above;
- 16.2.3 deposits permitted under section 23 (investment in deposits) below;
- 16.2.4 derivatives permitted under this rule;
- 16.2.5 collective investment scheme units permitted under section 13 (investment collective investment schemes) above;
- 16.2.6 financial indices which satisfy the criteria set out at section 17 (financial indices underlying derivatives) below;
- 16.2.7 interest rates;
- 16.2.8 foreign exchange rates; and
- 16.2.9 currencies.
- 16.3 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.
- 16.4 A transaction in a derivative must not cause the Fund to diverge from its investment objective as stated in the Instrument constituting the scheme and the most recently published version of this Prospectus.

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16.5 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities approved, money market instruments, units in collective investment schemes, or derivatives provided that a sale is not to be considered as uncovered if the conditions in section 19 (Requirement to cover sales) are satisfied.

16.6 Any forward transaction must be with an Eligible Institution or an Approved Bank.

16.7 A derivative includes an instrument which fulfils the following criteria:

16.7.1 it allows the transfer of the credit risk of the underlying independently from the other risks associated with that underlying;

16.7.2 it does not result in the delivery or the transfer of assets other than those referred to in paragraph 1.2 above (UCITS schemes: permitted types of scheme property) including cash;

16.7.3 in the case of an OTC derivative, it complies with the requirements in section 20 below (OTC transactions in derivatives);

16.7.4 its risks are adequately captured by the risk management process of the ACD, and by its internal control mechanisms in the case of risks of asymmetry of information between the ACD and the counterparty to the derivative, resulting from potential access of the counterparty to non-public information on persons whose assets are used as the underlying by that derivative.

16.8 The Fund may not undertake transactions in derivatives on commodities.

17 Financial indices underlying derivatives

17.1 The financial indices referred to in 16.2.6 are those which satisfy the following criteria:

17.1.1 the index is sufficiently diversified;

17.1.2 the index represents an adequate benchmark for the market to which it refers; and

17.1.3 the index is published in an appropriate manner.

17.2 A financial index is sufficiently diversified if:

17.2.1 it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;

17.2.2 where it is composed of assets in which the Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section; and

17.2.3 where it is composed of assets in which the Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section.

17.3 A financial index represents an adequate benchmark for the market to which it refers if:

17.3.1 it measures the performance of a representative group of underlyings in a relevant and appropriate way;

17.3.2 it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and

17.3.3 the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

17.4 A financial index is published in an appropriate manner if:

17.4.1 its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and

17.4.2 material information on matters such as index calculation, rebalancing methodologies, index changes or any operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

17.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to 16.2, be regarded as a combination of those underlyings.

18 Transactions for the purchase of property

18.1 A derivative or forward transaction which will or could lead to the delivery of property for the account of the Fund may be entered into only if that property can be held for the account of the Fund, and the ACD having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

19 Requirement to cover sales

19.1 No agreement by or on behalf of the Fund to dispose of property or rights may be made unless the obligation to make the disposal and any other similar obligation could immediately be honoured by the Fund by delivery of property or the assignment (or, in Scotland, assignation) of rights, and the property and rights above are owned by the Fund at the time of the agreement. This requirement does not apply to a deposit.

19.2 Paragraph 19.1 does not apply where:

19.2.1 the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

19.2.2 the ACD or the Depositary has the right to settle the derivative in cash and cover exists within the Scheme Property which falls within one of the following asset Classes:

cash;

liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or

other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

19.3 In the asset classes referred to in 19.2.2, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven business days at a price closely corresponding to the current valuation of the financial instrument on its own market.

20 OTC transactions in derivatives

20.1 Any transaction in an OTC derivative under paragraph 16.1 must be:

20.1.1 in a future, option or contract for differences;

20.1.2 with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an Eligible Institution or an Approved Bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose Home State authorisation, permits it to enter into the transaction as principal off-exchange;

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20.1.3 on approved terms; the terms of the transaction in derivatives are approved only if, before the transaction is entered into, the Depositary is satisfied that the counterparty has agreed with the Fund: to provide at least daily and at any other time at the request of the Fund reliable and verifiable valuation in respect of that transaction corresponding to its fair value (being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction) and which does not rely only on market quotations by the counterparty and that it will, at the request of the Fund, enter into a further transaction to sell, liquidate or close out that transaction at any time, at a fair value arrived at under the reliable market value basis or pricing model agreed under 20.1.4; and

20.1.4 capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the ACD having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy: on the basis of an up-to-date market value which the ACD and the Depositary have agreed is reliable; or if that value is not available, on the basis of a pricing model which the ACD and the Depositary have agreed uses an adequate recognised methodology; and

20.1.5 subject to verifiable valuation; a transaction in derivatives is subject to verifiable valuation only if, throughout the life of the derivative (if the transaction is entered into) verification of the valuation is carried out by:

20.1.5.1 an appropriate third party which is independent from the counterparty of the derivative, at an adequate frequency and in such a way that the ACD is able to check it; or

20.1.5.2 a department within the ACD which is independent from the department in charge of managing the scheme property and which is adequately equipped for such a purpose.

21 Valuation of OTC derivatives

21.1 For the purposes of paragraph 20.1.2, the ACD must:

21.1.1 establish, implement and maintain arrangements and procedures which ensure appropriate, transparent and fair valuation of the exposures of a Fund to OTC derivatives; and

21.1.2 ensure that the fair value of OTC derivatives is subject to adequate, accurate and independent assessment.

21.2 Where the arrangements and procedures referred to in paragraph 21.1.1 involve the performance of certain activities by third parties, the ACD must comply with the requirements in SYSC 8.1.13 R (Additional requirements for a management company) and COLL 6.6A.4 R (4) to (6) (Due diligence requirements of AFMs of UCITS schemes).

21.3 The arrangements and procedures referred to in this rule must be:

21.3.1 adequate and proportionate to the nature and complexity of the OTC derivative concerned; and

21.3.2 adequately documented

22 Risk management

22.1 The ACD must use a risk management process, as reviewed by the Depositary, enabling it to monitor and measure as frequently as appropriate the risk of the Fund's positions and their contribution to the overall risk profile of the Fund.

22.2 The following details of the risk management process must be regularly notified by the ACD to the FCA and at least on an annual basis:

22.2.1 a true and fair view of the types of derivatives and forward transactions to be used within a Company together with their underlying risks and any relevant quantitative limits; and

22.2.2 the methods for estimating risks in derivative and forward transactions

23 Investment in deposits

23.1 The Fund may invest in deposits only with an Approved Bank and which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

24 Significant influence

24.1 The Fund must not acquire transferable securities issued by a body corporate and carrying rights to vote (whether or not on substantially all matters) at a general meeting of that body corporate if:

24.1.1 immediately before the acquisition, the aggregate of any such securities held by the Fund gives the Fund power significantly to influence the conduct of business of that body corporate; or

24.1.2 the acquisition gives the Fund that power.

24.2 The Fund is to be taken to have power significantly to influence the conduct of business of a body corporate if it can, because of the transferable securities held by it, exercise or control the exercise of 20% or more of the voting rights in that body corporate (disregarding for this purpose any temporary suspension of voting rights in respect of the transferable securities of that body corporate).

25 Concentration

The Fund:

25.1 must not acquire transferable securities (other than debt securities) which:

25.1.1 do not carry a right to vote on any matter at a general meeting of the body corporate that issued them; and

25.1.2 represent more than 10% of those securities issued by that body corporate;

25.2 must not acquire more than 10% of the debt securities issued by any single body;

25.3 must not acquire more than 25% of the units in a collective investment scheme;

25.4 must not acquire more than 10% of the approved money market instruments issued by any single body; and

25.5 need not comply with the limits in paragraphs 25.2 to 25.4 if, at the time of acquisition, the net amount in issue of the relevant investment cannot be calculated.

26 Derivatives exposure

26.1 The Fund may invest in derivatives and forward transactions as long as the exposure to which the Fund is committed by that transaction itself is suitably covered from within its Scheme Property. Exposure will include any initial outlay in respect of that transaction.

26.2 Cover ensures that the Fund is not exposed to the risk of loss of property, including money, to an extent greater than the net value of the Scheme Property. Therefore, the Fund must hold Scheme Property sufficient in value or amount to match the exposure arising from a derivative obligation to which the Fund is committed. Section

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27 (Cover for transactions in derivatives and forward transactions) sets out detailed requirements for cover of the Fund.

26.3 Cover used in respect of one transaction in derivatives or forward transaction must not be used for cover in respect of another transaction in derivatives or a forward transaction.

27 Cover for transactions in derivatives and forward transactions

27.1 A transaction in derivatives or forward transaction is to be entered into only if the maximum exposure, in terms of the principal or notional principal created by the transaction to which the scheme is or may be committed by another person is covered globally.

27.2 Exposure is covered globally if adequate cover from within the Scheme Property is available to meet the scheme's total exposure, taking into account the value of the underlying assets, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

27.3 Cash not yet received into the Scheme Property but due to be received within one month is available as cover.

27.4 Property the subject of a stock lending transaction is only available for cover if the ACD has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.

27.5 The total exposure relating to derivatives held in the Fund may not exceed the net value of the Scheme Property.

28 Daily calculation of global exposure

28.1 The ACD must calculate the global exposure of the Fund on at least a daily basis.

28.2 For the purposes of this section, exposure must be calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

29 Calculation of global exposure

29.1 The ACD must calculate the global exposure of the Fund it manages either as:

29.1.1 the incremental exposure and leverage generated through the use of derivatives and forward transactions (including embedded derivatives as referred to in section 15 (Derivatives: general), which may not exceed 100% of the Net Asset Value of the scheme property of the Fund, by way of the commitment approach; or

29.1.2 the market risk of the scheme property of the Fund, by way of the value at risk approach.

29.2 The ACD must ensure that the method selected above is appropriate, taking into account:

29.2.1 the investment strategy pursued by the Fund;

29.2.2 the types and complexities of the derivatives and forward transactions used; and

29.2.3 the proportion of the scheme property comprising derivatives and forward transactions.

29.3 Where a Fund employs techniques and instruments including repo contracts or stock lending transactions in accordance with section 30 (Stock lending) in order to generate additional leverage or exposure to market risk, the ACD must take those transactions into consideration when calculating global exposure.

29.4 For the purposes of paragraph 29.1, value at risk means a measure of the maximum expected loss at a given confidence level over the specific time period.

29.5 The ACD calculates the global exposure of M&G Dynamic Allocation Fund using the value at risk (VaR) based techniques.

30 Commitment approach

30.1 Where the ACD uses the commitment approach for the calculation of global exposure, it must:

30.1.1 ensure that it applies this approach to all derivative and forward transactions (including embedded derivatives as referred to in section 15 (Derivatives: general)), whether used as part of the Fund's general investment policy, for the purposes of risk reduction or for the purposes of Efficient Portfolio Management in accordance with section 30 (Stock lending) above; and

30.1.2 convert each derivative or forward transaction into the market value of an equivalent position in the underlying asset of that derivative or forward (standard commitment approach).

30.2 The ACD may apply other calculation methods which are equivalent to the standard commitment approach.

30.3 For the commitment approach, the ACD may take account of netting and hedging arrangements when calculating global exposure of the Fund, where these arrangements do not disregard obvious and material risks and result in a clear reduction in risk exposure.

30.4 Where the use of derivatives or forward transactions does not generate incremental exposure for the Fund, the underlying exposure need not be included in the commitment calculation.

30.5 Where the commitment approach is used, temporary borrowing arrangements entered into on behalf of the Fund in accordance with section 34 need not form part of the global exposure calculation.

31 Cover and borrowing

31.1 Cash obtained from borrowing, and borrowing which the ACD reasonably regards an Eligible Institution or an Approved Bank to be committed to provide, is available for cover under the previous section 27 (Cover for transactions in derivatives and forward transactions) as long as the normal limits on borrowing (see below) are observed.

31.2 Where, for the purposes of this paragraph the Fund borrows an amount of currency from an Eligible Institution or an Approved Bank; and keeps an amount in another currency, at least equal to such borrowing for the time on deposit with the lender (or his agent or nominee), then this applies as if the borrowed currency, and not the deposited currency, were part of the Scheme Property, and the normal limits on borrowing under section 33 (General power to borrow) do not apply to that borrowing.

32 Cash and near cash

32.1 Cash and near cash must not be retained in the Scheme Property except to the extent that this may reasonably be regarded as necessary in order to enable:

32.1.1 the pursuit of the Fund's investment objective; or

32.1.2 redemption of Shares; or

32.1.3 efficient management of the Fund in accordance with its investment objective; or

32.1.4 other purposes which may reasonably be regarded as ancillary to the investment objective of the Fund.

32.2 During the period of the initial offer the Scheme Property may consist of cash and near cash without limitation.

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33 General power to borrow

- 33.1 The Fund may, in accordance with this section and section 30, borrow money for the use of the Fund on terms that the borrowing is to be repayable out of the Scheme Property. This power to borrow is subject to the obligation of the Fund to comply with any restriction in the instrument constituting the Fund.
- 33.2 The Fund may borrow under paragraph 33.1 only from an Eligible Institution or an Approved Bank.
- 33.3 The ACD must ensure that any borrowing is on a temporary basis and that borrowings are not persistent, and for this purpose the ACD must have regard in particular to:
- 33.3.1 the duration of any period of borrowing; and
- 33.3.2 the number of occasions on which resort is had to borrowing in any period.
- 33.4 The ACD must ensure that no period of borrowing exceeds three months, without the consent of the Depositary.
- 33.5 These borrowing restrictions do not apply to “back to back” borrowing for currency hedging purposes.
- 33.6 The Fund must not issue any debenture unless it acknowledges or creates a borrowing that complies with paragraph 33.1 to 33.5.

34 Borrowing limits

- 34.1 The ACD must ensure that the Fund's borrowing does not, on any business day, exceed 10% of the value of the Scheme Property of the Fund.
- 34.2 In this section 34, “borrowing” includes, as well as borrowing in a conventional manner, any other arrangement (including a combination of derivatives) designed to achieve a temporary injection of money into the Scheme Property in the expectation that the sum will be repaid.
- 34.3 Borrowing does not include any arrangement for the Fund to pay to a third party (including the ACD) any set up costs which the Fund is entitled to amortise and which were paid on behalf of the Fund by the third party.

35 Restrictions on lending of money

- 35.1 None of the money in the Scheme Property of the Fund may be lent and, for the purposes of this prohibition, money is lent by the Fund if it is paid to a person (“the payee”) on the basis that it should be repaid, whether or not by the payee.
- 35.2 Acquiring a debenture is not lending for the purposes of paragraph 31.1; nor is the placing of money on deposit or in a current account.
- 35.3 Paragraph 35.1 does not prevent the Fund from providing an officer of the Fund with funds to meet expenditure to be incurred by him for the purposes of the Fund (or for the purposes of enabling him properly to perform his duties as an officer of the Fund) or from doing anything to enable an officer to avoid incurring such expenditure.

36 Restrictions on lending of property other than money

- 36.1 The Scheme Property of the Fund other than money must not be lent by way of deposit or otherwise.
- 36.2 The Scheme Property of the Fund must not be mortgaged.

37 General power to accept or underwrite issues of stock

- 37.1 Any power in Chapter 5 of the COLL Sourcebook to invest in transferable securities may be used for the purpose of entering into transactions to which this section applies, subject to compliance with any restriction in the Instrument of Incorporation.

- 37.2 This section applies, subject to paragraph 37.3, to any agreement or understanding:

37.2.1 which is an underwriting or Sub-underwriting agreement; or

37.2.2 which contemplates that securities will or may be issued or subscribed for or acquired for the account of the Fund.

- 37.3 Paragraph 37.2 does not apply to:

37.3.1 an option; or

37.3.2 a purchase of a transferable security which confers a right: to subscribe for or acquire a transferable security; or to convert one transferable security into another.

37.3.3 The exposure of the Fund to agreements and understandings within paragraph 37.2 must, on any business day:

be covered in accordance with the requirements of rule 5.3.3R of the COLL Sourcebook; and

be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any limit in Chapter 5 of the COLL Sourcebook.

38 Guarantees and indemnities

- 38.1 The Fund or the Depositary for the account of the Fund must not provide any guarantee or indemnity in respect of the obligation of any person.

- 38.2 None of the Scheme Property of the Fund may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

- 38.3 Paragraphs 38.1 and 38.2 do not apply in respect of the Fund to:

38.3.1 any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with the FCA rules;

38.3.2 an indemnity falling within the provisions of regulation 62(3) (Exemptions from liability to be void) of the Treasury Regulations;

38.3.3 an indemnity (other than any provision in it which is void under regulation 62 of the Treasury Regulations) given to the Depositary against any liability incurred by it as a consequence of the safekeeping of any of the Scheme Property by it or by anyone retained by it to assist it to perform its function of the safekeeping of the Scheme Property; and

38.3.4 an indemnity given to a person winding up a scheme if the indemnity is given for the purposes of arrangements by which the whole or part of the property of that scheme becomes the first property of the Fund and the holders of units in that scheme become the first Shareholders in the Fund.

39 Efficient Portfolio Management

- 39.1 The Fund may use its property to enter into transactions for the purposes of efficient portfolio management (“EPM”) and may enter into any transaction to hedge (i.e. with the purpose of preserving the value of an asset or assets of the Fund).

- 39.2 Permitted EPM transactions (excluding stock lending arrangements) are transactions in derivatives (i.e. options, futures or contracts for differences) dealt in or traded on an approved derivatives market; off exchange futures, options or contracts for differences resembling options; or synthetic futures in certain circumstances. The Fund may enter into approved derivatives transactions on derivatives markets which are eligible. Eligible derivatives markets are those which the ACD after consultation with

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the Depositary has decided are appropriate for the purpose of investment of or dealing in the scheme property with regard to the relevant criteria set out in the Regulations and the Guidance on eligible markets issued by the FCA as amended from time to time.

39.3 The eligible derivatives markets for the Fund are set out in Appendix 3.

39.4 New eligible derivatives markets may be added to the Fund in accordance with the Regulations and only after the ACD has revised the prospectus accordingly.

39.5 Any forward transactions must be with an approved counterparty (eligible institutions, money market institutions etc). A derivatives or forward transaction which would or could lead to delivery of scheme property to the Depositary in respect of the Fund may be entered into only if such scheme property can be held by the Fund, and the ACD reasonably believes that delivery of the property pursuant to the transactions will not lead to a breach of the Regulations.

39.6 There is no limit on the amount of the scheme property which may be used for EPM but the transactions must satisfy three broadly-based requirements:

39.6.1 A transaction must reasonably be believed by the ACD to be economically appropriate to the efficient portfolio management of the Fund. This means that transactions undertaken to reduce risk or cost (or both) must alone or in combination with other EPM transactions diminish a risk or cost of a kind or level which it is sensible to reduce and transactions undertaken to generate additional capital or income must confer a benefit on the Fund.

39.6.2 EPM may not include speculative transactions.

39.6.3 The purpose of an EPM transaction for the Fund must be to achieve one of the following aims in respect of the Fund:

- reduction of risk
- reduction of cost
- the generation of additional capital or income

39.6.3.1 Reduction of risk allows for the use of the technique of cross-currency hedging in order to switch all or part of the Fund's exposure away from a currency the ACD considers unduly prone to risk, to another currency. This aim also permits the use of stock index contracts to change the exposure from one market to another, a technique known as 'tactical asset allocation'.

39.6.3.2 Reduction of cost allows for the use of futures or options contracts, either on specific stocks or on an index, in order to minimise or eliminate the effect of changing prices of stocks to be bought or sold.

39.6.3.3 The aims of reduction of risk or cost, together or separately, allow the ACD on a temporary basis to use the technique of tactical asset allocation. Tactical asset allocation permits the ACD to undertake a switch in exposure by use of derivatives, rather than through sale and purchase of the scheme property. If an EPM transaction for the Fund relates to the acquisition or potential acquisition of transferable securities, the ACD must intend that the Fund should invest in transferable securities within a reasonable time and the ACD shall thereafter ensure that, unless the position has itself been closed out, that intention is realised within that reasonable time.

39.6.3.4 The generation of additional capital or income for the Fund with no or an acceptably low level of risk means the ACD reasonably believes that the Fund is certain (or certain barring events which are not reasonably foreseeable) to derive a benefit.

The generation of additional capital or income may arise out of taking advantage of price imperfections or from the receipt of a premium for writing of covered call or covered put options (even if the benefit is obtained at the expense of the foregoing of yet greater benefit) or pursuant to stock lending as permitted by the Regulations. The relevant purpose must relate to scheme property; scheme property (whether precisely identified or not) which is to be or is proposed to be acquired for the Fund; and anticipated cash receipts of the Fund, if due to be received at some time and likely to be received within one month.

39.7 Each EPM transaction must be fully covered 'individually' by scheme property of the right kind (i.e. in the case of exposure in terms of property, appropriate transferable securities or other property; and, in the case of exposure in terms of money, cash, near-cash instruments, borrowed cash or transferable securities which can be sold to realise the appropriate cash). It must also be covered 'globally' (i.e. after providing cover for existing EPM transactions there is adequate cover for another EPM transaction within the scheme property - there can be no gearing). Scheme property and cash can be used only once for cover and, generally, scheme property is not available for cover if it is the subject of a stock lending transaction. The EPM lending transaction in a back to back currency borrowing (i.e. borrowing permitted in order to reduce or eliminate risk arising by reason of fluctuations in exchange rates) does not require cover.

Appendix 3 -

Eligible markets

Where permitted by its objective and policy, the Fund may deal in any securities, derivatives or money market instruments on any market that is:

- a) a regulated market (as defined for the purposes of COLL); or
- b) a market in an EEA State which is regulated, operates regularly and is open to the public; or
- c) a market which the ACD, after consultation with the Depositary, decides is appropriate for investment of or dealing in the Scheme Property, is listed below and the Depositary has taken reasonable care to determine that (i) adequate custody arrangements can be provided for the investment dealt in on that market; and (ii) all reasonable steps have been taken by the ACD in deciding whether the market is eligible (see Appendix 2, 7.4 for more detail).

For the purposes of "b" above, the Manager may trade in bonds and other securities issued by non-UK institutions, on the UK OTC Market. Additionally, for "c" above, the markets listed below have been deemed appropriate.

In addition, up to 10% in value of the Fund may be invested in transferable securities and/or money market instruments which are not listed on these markets.

In the event that an eligible market changes its name or merges with another eligible market, the successor market will be an eligible market unless the FCA's COLL rules require further due diligence by the ACD and Depositary in order for it to be approved. In these circumstances, the prospectus will be updated with the name of the new market at the next available opportunity.

Europe (non-EEA states)

Croatia	Zagreb Exchange
Switzerland	SIX Swiss Exchange
Turkey	Borsa Istanbul

Americas

Brazil	BM&F Bovespa
Canada	TSX (forms part of the TMX Group)
Chile	Bolsa de Comercio de Santiago (BCS)
Colombia	Bolsa de Valores de Colombia (BVC) Exchange
Mexico	Bolsa Mexicana de Valores (Mexican Stock Exchange)
United States	New York Stock Exchange NYSE Mkt LLC Boston Stock Exchange (BSE) Chicago Stock Exchange (CHX) The NASDAQ Stock Market US OTC market regulated by FINRA National Stock Exchange NYSE Arca NASDAQ OMX PHLX The market in transferable securities issued by or on behalf of the Government of the United States of America conducted through those persons for the time being recognised and supervised by the Federal Reserve Bank of New York and known as primary dealers.

Africa

South Africa	The JSE Securities Exchange
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Far East

Australia	Australian Securities Exchange (ASX)
China	Shanghai Stock Exchange (B shares) Shenzen Stock Exchange (B shares)
Hong Kong	Hong Kong Exchanges Growth Global Enterprise Market (GEM)
India	Bombay Stock Exchange Ltd The National Stock Exchange of India
Indonesia	Indonesia Stock Exchange (IDX)
Japan	Tokyo Stock Exchange Nagoya Stock Exchange Sapporo Stock Exchange JASDAQ
Korea	Korea Exchange Incorporated (KRX)
Malaysia	Bursa Malaysia Berhad
New Zealand	New Zealand Stock Exchange
Philippines	Philippine Stock Exchange (PSE)
Singapore	Singapore Exchange (SGX)
Sri Lanka	Colombo Stock Exchange
Taiwan	Taiwan Stock Exchange Gre Tai (Taiwan OTC)
Thailand	The Stock Exchange of Thailand (SET)

Middle East

Israel	Tel Aviv Stock Exchange (TASE)
Qatar	Qatar Exchange

For the purposes of "c" above, the derivatives markets listed below have been deemed appropriate.

Europe (non-EEA states)

Switzerland	EUREX
Turkey	Borsa Istanbul Futures & Options Market

Americas

Brazil	Bolsa de Mercadorias e futuro (BMF)
Canada	The Montreal Exchange
United States	CME Group Inc Chicago Board Options Exchange (CBOE)

Africa

South Africa	The South African Futures Exchange (SAFEX)
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Far East

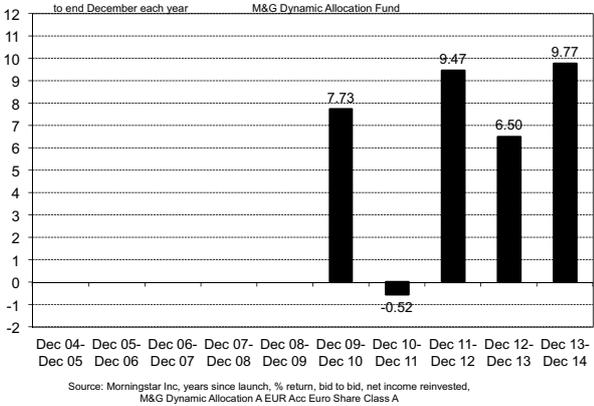
Australia	Australian Securities Exchange (ASX)
Hong Kong	Hong Kong Exchanges
Japan	Osaka Securities Exchange
Korea	Korea Exchange Incorporated (KRX)
New Zealand	New Zealand Futures Exchange
Singapore	Singapore Exchange (SGX)
Thailand	Thailand Futures Exchange (TFEX)

Appendix 4 -

Performance Bar Charts and Graphs

Past performance is not a guide to future performance.

M&G Dynamic Allocation Fund Bar Chart (Euro Class A)



The cumulative performance since launch is 38.4%

Appendix 5 -

Other collective investment schemes of the ACD

M&G Investment Funds (1)
M&G Investment Funds (2)
M&G Investment Funds (3)
M&G Investment Funds (4)
M&G Investment Funds (5)
M&G Investment Funds (7)
M&G Investment Funds (8)
M&G Investment Funds (9)
M&G Investment Funds (10)
M&G Investment Funds (11)
M&G Investment Funds (12)
M&G Investment Funds (14)
M&G Global Dividend Fund
M&G Global Macro Bond Fund
M&G Optimal Income Fund
M&G Strategic Corporate Bond Fund
M&G Property Portfolio
M&G Feeder of Property Portfolio

Directory

M&G Dynamic Allocation Fund

The Fund and Head Office:

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Laurence Pountney Hill
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M&G Securities Limited
Laurence Pountney Hill
London EC4R 0HH

Investment Manager:

M&G Investment Management Limited
Laurence Pountney Hill
London EC4R 0HH

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Trustee and Depository Services
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